

FRONTMATEC

Frontmatec Group ApS

Platinvej 8, DK 6000 Kolding

CVR no: 37773743

Annual report 2021



Approved at the Company's annual general meeting on 3
May 2022

Chairman

Christian Curtz Henriksen

Contents

Statement by the Board of Directors and the Executive Board	3
Independent auditor's report	4
Management's review	8
Frontmatec's business review	10
Alternative performance measures	16
Consolidated financial statements for the period 1 January – 31 December	18
Income statement	18
Statement of comprehensive income	18
Balance sheet	19
Statement of changes in equity	21
Cash flow statement	22
Notes to the Consolidated Financial Statements	24
Parent company financial statements for the period 1 January – 31 December	55
Income statement	55
Statement of comprehensive income	55
Balance sheet	56
Statement of changes in equity	58
Cash flow statement	59
Parent company financial statements for the period 1 January – 31 December	61
Notes to the financial statements	61

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Frontmatec Group ApS for the financial year 1 January – 31 December 2021.

The financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and supplementary Danish disclosure requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2021 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2021.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Kolding, 3 May 2022

Executive Board:

.....
Allan Jan Formann Kristensen
Chief Executive Officer

.....
Thomas Nybo Stenager
Chief Financial Officer

Board of Directors:

.....
Arne Vraalsen
Chairman

.....
Christoffer Arthur Müller
Vice Chairman

.....
Christian Gymos
Schmidt-Jacobsen

.....
Jan Kjærsgaard

.....
Remko Rosman

Independent auditor's report

To the shareholders of Frontmatec Group ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Frontmatec Group ApS for the financial year 01.01.2021 – 31.12.2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021, and of the results of their operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

In October 2019, Frontmatec Group ApS completed a 5-year senior secured bonds issue. The bonds were listed on Nasdaq OMX Copenhagen on 01 May 2020, from which date Frontmatec Group ApS became a Public Interest Entity. We have been reappointed annually by decision of the General Meeting for a total of 2 times since the listing up to and including the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2021 – 31.12.2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of construction contracts

Refer to notes 2, 3, 20 and 21 in the consolidated financial statements. Significant judgements are required by Management in determining stage of completion and estimating profit on each project, including assessment of provisions for specific project risks.

At 31 December the carrying value of construction contract assets was DKK 130 million and construction contract liabilities DKK 348 million.

Minor changes in the stage of completion and specific project risks can have a significant impact on the valuation and recognition of construction contracts and income for the year. Accordingly, the valuation of construction contracts is considered to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment, we have assessed the relevant internal controls for construction contracts primarily relating to contract acceptance, change orders, monitoring of project development, costs incurred and estimation of costs to complete and assessment of specific project risks.

We obtained from Management an overview of the Group's construction contracts at 31 December 2021 covering both in progress contracts as of year-end and contracts completed during the year.

Independent auditor's report

Based on assessed project risks and materiality, we selected a sample of contracts where we obtained the underlying contracts, including change orders, original budget and any changes made to original budgets, including estimates of costs to complete and project reports and corresponding risk provision, where deemed relevant by us. For the selected contracts, we assessed and challenged Management's assumptions for determining stage of completion with due consideration to its assessment of project risks and risk provisions and estimated profit/loss through interviews with project controllers, project management, legal department and management representatives as well as our understanding and assessment of the contract terms, associated project risks, including valuation of change orders under discussion with customers and final acceptance.

For the selected completed contracts, we performed retrospective reviews of assessment of project risk and development and utilisation of risk provisions to assess the completeness and accuracy of Management's assumptions applied throughout the contract period.

Valuation of goodwill

The Group has a carrying value of goodwill arising from acquisitions of DKK 1.110 million. The value of goodwill is supported by Management's assessment of the future value based on strategic plans, and value-in-use calculations which are based on future cash flow. We focused on this area because the valuation assessment of Goodwill is dependent on complex and subjective judgements by Management as well as estimation over the future outcome, which is uncertain by nature. Accordingly, the carrying value of goodwill is considered to be a key audit matter. Refer to note 2 and 14 in the Consolidated Financial.

How the matter was addressed in the audit

We assessed the Group's impairment methodology including the identification of CGUs. We challenged Management's estimates and key assumptions used in the valuation of Goodwill, comprising revenue development, profit margins, proposed capital expenditure and growth expectations, etc. Furthermore, we evaluated Management's sensitivity analysis and challenged key assumptions within the valuation calculations.

We evaluated the disclosures in relation to impairment testing of goodwill.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Frontmategroup ApS we performed procedures to express an opinion on whether the annual report for the financial year 01.01.2021 – 31.12.2021, with the file name " FRTMGP-2021-12-31_en.zip ", is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Independent auditor's report

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Frontmategroup ApS for the financial year 01.01.2021 – 31.12.2021, with the file name FRTMGP-2021-12-31_en.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 3 May 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33963556

Bill Haudal Pedersen
State-Authorised Public Accountant
Identification No (MNE) mne30131

Jacob Tækker Nørgaard
State-Authorised Public Accountant
Identification No (MNE) mne40049

Management's review

Company details

Name	Frontmatec Group ApS
Legal form of entity	ApS
Address, zip code, city	Platinvej 8, 6000 Kolding
Country of incorporation	Denmark
Principal place of business	Kolding
CVR no.	37773743
Established	6 June 2016
Domicile	Kolding
Financial year	1 January – 31 December
Website	www.frontmatec.com
Parent entity	Frontmatec Holding I ApS
Ultimate parent entity	Frontmatec Holding III ApS
Board of Directors	Arne Vraalsen, Chairman Christoffer Arthur Müller, Vice Chairman Christian Gymos Schmidt-Jacobsen Jan Kjærsgaard Remko Rosman
Executive Board	Allan Jan Formann Kristensen, CEO Thomas Nybo Stenager, CFO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab City Tower Værkmestergade 2,18 8000 Aarhus C CVR-no. 33963556

Management's review

Financial highlights for the Group

DKK'000	2021	2020	2019	2018	2017
Key figures					
Revenue	1,423,500	1,415,574	1,662,323	1,418,685	1,341,573
Gross profit	433,032	367,363	393,728	397,556	351,849
Operating profit before depreciation amortization and special items (EBITDA before special items)	185,309	126,452	171,921	207,205	182,996
Pro forma EBITDA before special items	208,569	214,381	201,096	226,055	216,100
Operating profit/loss	1,371	-20,897	-33,798	-5,140	23,422
Net finance costs	-90,295	-98,272	-77,188	-46,756	-43,114
Loss for the year	-83,646	-124,864	-120,860	-54,987	-52,559
Equity	419,429	472,756	614,645	1,021,038	979,156
Balance sheet totals	2,658,294	2,582,019	2,731,312	2,695,148	2,374,242
Financial development					
Cash flows from operating activities	277,409	64,906	-129,022	93,522	90,147
Cash flows from investing activities	-59,923	-52,318	-164,049	-67,312	-212,849
Cash flows from property, plant and equipment	-8,792	-31,858	-16,901	-18,745	-22,429
Cash flows from financing activities	-977	-40,777	293,674	-54,941	726,797
Change in cash and cash equivalents for the year	216,509	-28,190	603	-28,731	604,095
Ratios					
Gross margin (%)	30.4%	26.0%	23.7%	28.0%	26.2%
Pro forma EBITDA before special items margin (%)	14.3%	14.9%	11.8%	15.9%	15.9%
EBITDA before special items margin (%)	13.0%	8.9%	10.3%	14.6%	13.6%
Return on assets (%)	0.1%	-0.8%	-1.2%	-0.2%	1.0%
Equity ratio (%)	15.8%	18.3%	22.5%	37.9%	41.2%
Number of employees					
	1,161	1,163	1,263	1,230	1,000

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

Pro forma EBITDA before special items are calculated in accordance with the definitions of Alternative Performance Measures on page 16.

Definition of financial ratios:

Gross margin (%)

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Pro forma EBITDA before special items margin (%)

$$\frac{\text{Pro forma EBITDA before special items} \times 100}{\text{Pro forma revenue}}$$

EBITDA before special items margin (%)

$$\frac{\text{EBITDA before special items} \times 100}{\text{Revenue}}$$

Return on assets (%)

$$\frac{\text{Operating profit} \times 100}{\text{Average assets}}$$

Equity ratio (%)

$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Frontmatec's business review

About Frontmatec Group

Frontmatec Group is a global leading provider of advanced food processing equipment. Frontmatec develops world-class customized solutions for automation in the food industry and other hygiene sensitive industries. The Group is especially renowned for the high-quality systems for the entire value chain of the meat industry – from carcass grading to slaughter lines, cutting and deboning lines, hygiene systems and control systems to logistics and packaging.

Frontmatec Group is headquartered in Kolding, Denmark and has production facilities in Denmark, Romania, Canada, China, Spain, UK and Germany. Frontmatec serves its global customers through its own sales offices with main locations in Denmark, Germany, Croatia, UK, Poland, France, Spain, Netherlands, China, Canada and USA.

The strategy of the group is to leverage its strong market position and full-line product offering to outperform the underlying market growth while at the same time executing on operational improvement initiatives in order to continue to enhance profitability significantly.

Highlights 2021

Overall, the entities in Frontmatec performed satisfactory with growth on most parameters including order intake, profit and cash flow. The first half of 2021 was still impacted by the global pandemic whereas second half of 2021 returned to normal conditions. The consequence was lower revenue and profit in first half of 2021, which improved in second half of 2021. Despite the consequences of the pandemic in the first half of 2021, the Frontmatec business model proved to be resilient. Consumers around the world still need food and Frontmatec has an important role in the food value chain. The result in 2021 is supported by the underlying demand for food and in particular meat is still high due to the continuous growing global population combined with an increasing demand for automation. The Service Solution business, offering services and spare parts, was not impacted by the pandemic and continued to grow in line with previous years. Order intake has improved throughout the year due to a significant demand on all markets especially for automated solutions, robotic solutions and software. The backlog is record high at the end of 2021 and is a good foundation for 2022 and 2023.

Financial statements

Frontmatec Group had Pro forma revenue of DKK 1,461 million in 2021, which represents an increase of 1% from 2020 (DKK 1,441 million). The Group had lower revenue from the large green field solutions in the first half of 2021, which returned to normal level in second half of 2021 offsetting the lower revenue in first half of 2021. Revenue from upgrades and modifications, automation and robotics and service solutions has improved in 2021.

Pro forma EBITDA before special items was DKK 209 million in 2021 and at the same level as 2020 (DKK 214 million). Pro forma EBITDA before special items was impacted by low revenue in the first half of 2021, but off-set by higher revenue in second half of 2021.

EBITDA before special items (IFRS) was DKK 185 million in 2021 and DKK 59 million higher than 2020 (DKK 126 million). The reorganization in Kolding impacted EBITDA before special items negatively in 2020. The turnaround in Kolding was finalized in 2020 and the business unit demonstrated significant improvements in revenue, EBITDA and cash flow in 2021.

Special items (IFRS) was DKK 40 million in 2021 against DKK 7 million in 2020. Special items in 2021 is mainly driven by restructuring costs in China. In 2019 Frontmatec Group acquired the company Xinglong in China and since then, the Group had two locations, one in Shanghai and one in Jining. In December 2021 management decided to close-down the location in Shanghai to reduce costs and focus on the site in Jining. The close-down resulted in redundancy costs, lease termination costs and non-cash write-downs and provisions.

In 2020 management provided an outlook for 2021 with an expected increase in activity and EBITDA before special items (IFRS) above 2020 in the range of 10-20% or at the same level as 2020. The first half of 2021 was realized in line with expectations, but second half 2021 exceeded expectations.

Cash flows from operating activities have improved with DKK 212 million from DKK 65 million in 2020 to DKK 277 million in 2021. The higher cash flow from operations is driven by improved net working capital. This includes more efficient execution of projects, higher order intake and general focus on cash flow.

The balance sheet at 31 December 2021 for the Group shows total assets of DKK 2,658 million (2020: DKK 2,582 million) and equity of DKK 420 million (2020: DKK 473 million).

Frontmatec's business review

Events after the balance sheet date

In January 2022, Frontmatec Group acquired the majority of the shares in Asuan. Asuan deliver innovative and customized solutions to the meat industry in Uruguay. Based in Montevideo, Asuan employs 125 employees and has subsidiaries in Brazil and Mexico. Latin America is a strategically important market to Frontmatec with some of the largest and most respected meat processors in the world. With Asuan joining forces with Frontmatec, the Group will strengthen the position in the Latin American.

In April 2022, Frontmatec Group acquired the remaining 60% in AIRA to take 100% ownership of the Spanish based company AIRA – Assessorament Industrial Robòtica, S.L. to capitalize on the robot potential. The ownership will secure the unique competences in free arm robotic solutions and support the increasing level of automation in the global meat industry.

The conflict in Russia and Ukraine is not expected to have material impact on the evaluation of the Group's financial position and revenue. Frontmatec has revenue in Russia and Ukraine with less than 10% of the Group's revenue in 2021 and less than 5% of the Group's gross profit in 2021. Frontmatec has decided to stop all new sales in Russia for the time being. We remain in close contact with our Russian colleagues and are working together to offer support to them and their families. We currently do not expect significant ripple effects of the ongoing conflict to our global business. Frontmatec will adhere to all sanctions being imposed and we continue to monitor the situation very closely.

Other than the acquisition mentioned and the conflict in Russia and Ukraine, there have been no events since 31 December 2021, which could significantly affect the evaluation of the Group's financial position and revenue.

Outlook

The strong revenue growth in previous years slowed down in 2020 and first half of 2021 due to the uncertainties of the global pandemic. This has recovered in second half of 2021 and management expect that revenue and EBITDA will continue to improve in line with the higher run-rate in second half of 2021. Management expect an increase in EBITDA before special items (IFRS) above 2021 in the range of 50% or more.

Bond

Frontmatec Group ApS EUR 175,000,000 Senior Secured Floating Rate Bonds due 10 October 2024 are listed on Nasdaq Copenhagen (FRTMGP, ISIN DK0030452263).

Sustainability and CSR (in accordance with Danish Financial Statement Act §99a)

Food and meat in particular is a precious resource that has a major impact on the global sustainability. We, as a leading provider of advanced food processing equipment are fully aware of this and we want to take an active part to in helping feeding the growing global population, while using less resources. Our contribution towards this goal is to continuously design and develop solutions that maximizes the yield of each raw material and eliminate meat that could be used for human consumption from going to waste. We want Frontmatec to be a company where people are safe at work; and not just in Frontmatec locations, but equally at the plants where we provide our solutions. Frontmatec has implemented measure for Corporate Social Responsibility which are included in the UN Global Compact communication on progress report. How we work with sustainability and our contribution to the UN Sustainability Development Goals is available on the Frontmatec website:
https://www.frontmatec.com/media/6859/frontmatec-cop_2021.pdf

Account of the gender composition of management (in accordance with Danish Financial Statement Act §99b)

Frontmatec Group has a policy for diversity and equality, e.g. with a fair representation of gender and cultural mix on the board of directors as well as in the executive management group, based on a desire to strengthen the company's versatility, broaden its competences and improve its decision-making processes.

It is Frontmatec Group's policy that regardless of gender, race, and religion, all employees must be treated equally in order to ensure that everyone has equal opportunities for employment.

The board of directors aims to ensure that its members complement each other in the best possible way with respect to age, experience, nationality, gender, etc. for the purpose of ensuring a competent and versatile contribution to the work of the board in Frontmatec Group. These factors are taken into account when new candidates for the board of directors are identified, and the nomination of candidates will always be based on an assessment of their competences, how they match Frontmatec Group's requirements and how they will contribute to the overall efficiency of the board of directors.

Frontmategroup's business review

The share of women in the Frontmategroup board of directors is 0% (2020: 0%), senior management is 7% (2020: 14%) and the total number of employees is 12% (2020: 8%). In 2021 Frontmategroup did not meet the objective to have at least one woman in the board of directors because there has been no changes to the board of directors. The objective is to have at least one woman represented in the Board of Directors and at least 20% women in the senior management group before 2024. When filling management vacancies externally, at least one female candidate must be in the short list.

Diversity in board and management (in accordance with Danish Financial Statement Act §107d)

The supervisory board of Frontmategroup continually evaluates the diversity of the Board and Group executive management as well as among managers and employees. In connection with recommendations and appointments, diversity is deliberately taken into account when considering the profiles and qualifications of potential candidates.

Due to Frontmategroup's global presence in 9 countries, the overall workforce naturally reflects a multitude of cultures and nationalities. The Board of Directors has set a long-term goal according to which global managers should to a greater extent reflect the representation of nationalities among all employees and the geographical location of Frontmategroup's companies, in Denmark (39% of the total workforce), North America (29% of the total workforce) and China (20% of the total workforce).

Today 29% (2020: 20%) of Group Executive Management and 61% (end 2020: 59%) of the total number of employees have a nationality other than Danish.

EU Taxonomy

The EU Taxonomy framework is part of the EU Green Deal and serves as a core enabler to deliver on EU's ambitious climate goals towards 2030. The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. The goal is to redirect investments towards sustainable projects.

The EU Taxonomy represents a significant opportunity for us to support our customers in reducing their environmental footprint.

Part of the taxonomy is a mandatory reporting requirement to identify our business activities "in scope", also known as "eligible" activities, across our revenue, CAPEX and OPEX.

Eligibility is not a measure of our sustainability performance. It is an identification process within the current confinements of the EU Taxonomy framework, which remains work in progress.

The framework contains six planned environmental goals. Only two of these goals are in scope for our initial assessment. The two goals specifically relate to activities reducing greenhouse gas emissions or adapting to climate change. Consequently, a significant part of our business activities is not yet in scope for assessment.

Based on the current EU Taxonomy framework, our eligible revenue reflects revenue associated with computer programming, consultancy and related activities.

We expect the percentage of our eligible business activities to increase when the four remaining environmental goals and the full EU Taxonomy framework have been implemented.

Eligibility 2021

9% of revenue

0% of OPEX

7% of CAPEX

Policy on Data Ethics

Frontmategroup issued its Policy on Data Ethics in 2021. The policy addresses the data ethic principles applied by Frontmategroup and describes the approach to data processing covering all data types. The overall objective of our Data Ethics Policy is to encourage and motivate all employees of the Frontmategroup to handle data with utmost care and respect and to adhere to a responsible and sustainable use of the data by following our guiding principles on fundamental rights.

Security of data is important to us. Frontmategroup adheres to the six fundamental ethical values developed by the expert group on data ethics to the Danish Data Ethics Council. Group Legal is the owner of the policy.

For additional information please refer to: www.frontmategroup.com/en/legal/data-ethics-policy

Frontmatec's business review

Corporate Governance

With the Danish private equity firm Axcel as the principal shareholder, the Group is subject to the guidelines of the Active owners Denmark (www.aktiveejere.dk) for responsible ownership and corporate governance. Frontmatec Group intends to fully comply with all guidelines where it is relevant.

Management's focus on corporate governance is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act, the company's articles of association and good practice from comparable companies.

In addition, the management is continuously monitoring the development in the field of corporate governance to ensure that the Group, internally as well as externally, is managed in a way that is in accordance with applicable laws in order to protect the interests of all stakeholders.

Board of directors

The board of directors of the Frontmatec Group ensures that the executive board complies with the objectives, strategies and business processes decided by the board of directors. Moreover, the board of directors ensures on an ongoing basis that the governance structure and control systems are appropriate and working well.

The board of directors consists of five members. The principal shareholder Axcel has appointed Christoffer Arthur Müller and Christian Schmidt-Jacobsen. The remaining three members of the board of directors are independent.

The board of directors has adopted the rules of procedure for the board of directors. In addition, the board of directors uses committees for special tasks. Thus, a chairman committee, an audit and risk committee and a remuneration committee have been established.

The following board members are represented on the individual committees:

- Chairman committee: Arne Vraalsen and Christoffer Arthur Müller
- Audit and risk committee: Christoffer Arthur Müller
- Remuneration committee: Arne Vraalsen

The board of directors meet on a predetermined schedule of meetings at least six times a year. Usually there is an annual strategy seminar in connection with an ordinary board meeting. The seminar defines the objectives and strategy of the Group.

The chairman committee meets with the management of the company on a monthly basis.

Audit and risk committee meetings are held three to four times a year. The work of the audit committee is described in an annual calendar, which is approved by the board of directors. The committee is responsible for monitoring the company's financial reporting and the internal control environment as well as determining the relations and framework of the external audit. Standard procedures have been established, focusing on e.g. updating financial reporting standards and reviews of any items containing material accounting estimates and items of a one-off nature.

Frontmatec Group ApS' Board of Directors and Executive Board hold other executive positions as described below:

Arne Vraalsen, Chairman

Elected in September 2016.

Chairman of the board of directors Ytab Group AB, Chairman of the board of directors MMAB Group AB.

Christoffer Arthur Müller, Partner

Elected in September 2016

CEO Frontmatec Holding III ApS incl. two subsidiaries, CEO Müller-Scheibye Invest ApS, CEO Mopani ApS, CEO AX VI INV3 Holding II ApS including one daughter company, Member of the board of directors AX VI INV7 Holding III ApS including four daughter companies, Member of the board of directors AX VI INV3 Holding III ApS including two daughter companies, Member of the board of directors AX VI INV6 Holding III ApS including three daughter companies, Chairman of the executive board Mountain Top Holding III ApS including four daughter companies, Member of the board of directors of Brødrene Müller Holding A/S, Member of the executive board Müller Gas Equipment A/S, Member of the executive board P - ProData 2018 A/S including three daughter companies, Chairman of the board of directors AX VI INV6 Holding III ApS including four daughter companies.

Frontmatec's business review

Christian Gymos Schmidt-Jacobsen, CEO

Elected in September 2016

CEO Excel management A/S, CEO Spero Invest ApS, CEO and Chairman of the board of directors Excel Management Holding ApS, Chairman of the board of directors of Frontmatec Holding III ApS and two daughter companies, Chairman of the board of directors of AX V INV1 Holding III OY including two daughter companies, Chairman of the board of directors for AX IV Moment Holding III ApS including 4 daughter companies, Member of the board of directors AX VI INV3 Holding III ApS, Chairman of the board of directors AX VI INV4 Holding III ApS including one daughter companies, Member of the board of directors AX VI INV5 Holding III ApS including two daughter companies, Member of the board of directors AX VI INV6 Holding III ApS including three daughter companies, Chairman of the board of directors IsaDora AB, Member of the board of directors Excel GP Fonden including two daughter companies and Member of the board of directors DANX Holding I ApS including three daughter companies.

Jan Kjærsgaard, Group Executive Vice President

Elected in January 2017

CEO, Offshore Wind, GE Renewable Energy CEO Eslund Holding ApS.

Remko Rosman, CEO

Elected in June 2020

CEO Group of DGS Group B.V., Chairman of the board of directors 247TilorSteel B.V., and member of the board of directors of Wilvo CNC B.V.

Allan Jan Formann Kristensen, CEO Frontmatec Group ApS

Allan Jan Formann Kristensen became Chief Executive Officer of the Frontmatec Group in December 2020. Before his employment in the Company Mr. Kristensen has been with the Howden Group for the last 20 years in various senior management positions and was last based in Singapore as CEO for Howden Asia. Mr. Kristensen has a TGM, in Business Administration and Management from INSEAD's leadership programme at Fontainebleau in France and a B.Sc. in Civil Engineering from Haslev Engineering College.

Thomas Nybo Stenager, CFO Frontmatec Group ApS

Thomas N. Stenager became the Chief Financial Officer of the Frontmatec Group in October 2017. Before joining Frontmatec, Mr. Stenager has held Group CFO positions at Micro Matic and Fertin Pharma. Prior to that Mr. Stenager held senior finance positions at Tvilum - Masco Corporation, LEGO and has a background as auditor at PwC. Mr. Stenager holds a MSc Business Economics and Auditing from Aarhus School of Business.

Financial reporting and control environment

The Board of Directors and Executive Board set out general requirements for business processes and internal controls. A number of policies are defined by the Executive Board and approved by the Board of Directors. The overall operational responsibility for risk management and internal controls relating to financial reporting rests with the Executive Board. The Audit Committee appointed by the Board of Directors assesses at regular intervals Frontmatec's overall organisational structure and organisation and the staffing of the functions that are important to internal controls and risk management.

In collaboration with the local management of the individual subsidiaries, the Executive Board assesses whether the Group has an appropriate and effective control environment. The Executive Board reports regularly to the Board of Directors on the development of Frontmatec's operations, the company's financial performance and risk position.

Frontmatec's central finance function is responsible for risk management and internal controls relating to financial reporting. The Group finance function prepares Group accounting policies and instructions and ensures that the company has permanent procedures in place for the preparation of financial statements, including an assessment of new accounting regulation and the presentation of the financial reporting to Frontmatec's stakeholders.

The Board of Directors and Executive Board receive monthly reports with detailed financial follow-up. All construction contracts are reviewed on a monthly basis on project meetings by project managers and local management. Deviations to expectations on the construction contracts are reviewed and approved by Executive Board.

Frontmatec's business review

Shareholders

Frontmatec Holding III ApS, Kolding, Denmark, owns 91.26% of:

- Frontmatec Holding II ApS, Kolding, Denmark, which owns 100% of:
- Frontmatec Holding I ApS, Kolding, Denmark, which owns 100% of:
- Frontmatec Group ApS.

Risk

Risk management is considered an essential and natural part of the realization of the Group's objectives and strategy. The daily activities, the implementation of the established strategy and the continuous use of business opportunities involve inherent risks, and the company's handling of these risks is therefore seen as a natural and integrated part of the daily work and a way to ensure stable and reliable growth.

Unusual risks

The Group has no particular commercial or financial risks other than risks of common occurrence within the industry. The Group considers the risks in the industry to be related to the global market conditions.

Financial risks

The Group is exposed to changes in exchange rates and interest rates due to its operational and financial set-up. The Group manages its financial risks through instruments for hedging of currencies and interest.

Knowledge resources

The leading position of the Group within the red meat processing industry is dependent on the ability to retain and attract employees with special skills and experience in order to achieve its business goals.

This requires that employees acquire new knowledge and are willing to participate in necessary changes. This effort will be supported through staff development, education and a positive working environment.

The development in employees in 2021 is illustrated below:

	Denmark	Rest of world
Number of employees 1 January 2021	488	694
Recruitment in the financial year	52	122
Resigned in the financial year	-86	-118
Number of employees 31 December 2021	454	698

IT risks

Frontmatec uses IT to a significant extent and is vulnerable to interruptions of operations and breaches of the established security. Frontmatec constantly seeks to improve its IT security in order to ensure that a high level of security is maintained at all times.

Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures which are not defined under IFRS. The Group applies these measures because it is considered an important supplement measure of the Group's financial performance. It is to be noted that since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies (even if similarly labelled). Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS.

A reconciliation from these alternative performance measures to the nearest IFRS measure is presented below.

Pro forma revenue (non-IFRS)

Pro forma revenue is defined as revenue from all group entities for the period 1 January to 31 December. Group entities included are entities where the Group has made an investment per 31 December and comprise subsidiaries and associated companies. For associated companies, revenue is included on a pro rata basis. For entities acquired during the year, revenue is measured as though the acquisition date for all acquired entities during the year had been as of the beginning of the annual reporting period.

Management considers pro forma revenue to be a useful measure of the full year activities of the Group, as it is per year-end.

DKK million	2021	2020
Pro forma revenue for the period ending 31 December		
Revenue for the period ending 31 December	1,424	1,416
Impact from acquisitions (full year revenue)	0	0
Impact from associated companies (pro rata)	37	25
	1,461	1,441
Revenue (IFRS)	1,424	1,416

Pro forma EBITDA before special items (non-IFRS)

Pro forma EBITDA before special items is defined as earnings before interest, tax, special non-recurring items, depreciation, amortization and impairment for all group entities for the period 1 January to 31 December. Group entities included are entities where the Group has made an investment per 31 December and comprise subsidiaries and associated companies. For associated companies, Pro forma EBITDA before special items is included on a pro rata basis. For entities acquired during the year, Pro forma EBITDA before special items is measured as though the acquisition date for all acquired entities during the year had been as of the beginning of the annual reporting period.

Management considers Pro forma EBITDA before special items to be a useful measure of full year performance of the Group as it is per year-end by adding financials for associated companies and full year numbers for acquired businesses during the year and by excluding such interest, tax, special non-recurring items, depreciation, amortization and impairment, i.e. the measure is not impacted by capital investments or extraordinary income and expenses that are considered to be non-recurring.

DKK million	2021	2020
Pro forma EBITDA before special items for the period ending 31 December		
EBITDA before special items (non-IFRS)	192	207
Impact from acquisitions (full year EBITDA before special items)	0	0
Impact from associated companies	17	7
	209	214
EBITDA before special items (IFRS)	185	126

Alternative performance measures

EBITDA before special items (non-IFRS)

EBITDA before special items is defined as earnings before interest, tax, depreciation, amortization and impairment. Management considers EBITDA before special items to be a useful measure to monitor the underlying performance because by excluding the before mentioned items, the measure is not impacted by capital investments when measuring performance.

The following table provides a reconciliation of Operating loss (EBIT) to EBITDA before special items:

DKK million	2021	2020
EBITDA before special items for the period ending 31 December		
EBITDA before special items (IFRS)	185	126
Gain/Loss on disposals	0	2
Special items	7	79
	192	207
EBITDA before special items (IFRS)	185	126

Special non-recurring items (non-IFRS)

Special non-recurring items are defined as non-recurring income and expenses that are not considered to be a part of the Group's ordinary operations such as restructuring costs and discontinued activities. Management considers adjustments for special items to be a useful measure to monitor the underlying and ordinary performance of the Group.

The following table provides a specification of special non-recurring items:

DKK million	2021	2020
Special items for the period ending 31 December		
External costs related to acquisitions	3	0
Costs of internal restructuring	37	87
Other	7	-1
Special items (non-IFRS)	47	86
Special items (IFRS)	40	7

Consolidated financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	2021	2020
4	Revenue	1,423,500	1,415,574
5,6	Production costs	-917,566	-970,548
8	Other operating income	25,647	9,886
	External costs	-98,549	-87,549
	Gross profit	433,032	367,363
6	Staff costs	-247,723	-238,899
9	Other operating costs	0	-2,012
	Operating profit before depreciation, amortisation and special items	185,309	126,452
6,10	Special non-recurring items	-39,774	-7,750
7	Depreciation, amortisation and impairment of non-current assets	-144,164	-139,599
	Operating profit/loss	1,371	-20,897
16	Share of results of associates	11,731	1,739
11	Financial income	3,944	667
12	Financial expense	-94,239	-98,939
	Loss before tax	-77,193	-117,430
13	Tax for the year	-6,453	-7,434
	Loss for the year	-83,646	-124,864

Statement of comprehensive income

Note	DKK'000	2021	2020
	Loss for the year	-83,646	-124,864
	<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
	Unrealised gain on forward exchange contracts for the year	1,401	1,769
	Hereof tax	-399	-422
	Exchange rate gain/loss on foreign investments	10,872	-16,562
	Other comprehensive income for the year	11,874	-15,215
	Comprehensive income for the year	-71,772	-140,079

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Non-current assets		
	Goodwill	1,109,933	1,109,933
	Development completed	156,789	217,833
	Acquired intangible assets	142,765	165,084
	Development in progress	141,392	104,398
14	Intangible assets	1,550,879	1,597,248
	Land and buildings	128,488	126,905
	Plant and machinery	22,303	26,147
	Other fixtures and fittings, tools and equipment	15,254	16,123
16	Right-of-use assets	39,625	41,345
15	Property, plant and equipment	205,670	210,520
17	Investments in associates	47,318	37,702
22	Deferred tax asset	35,917	31,762
	Fixed asset investments	83,235	69,464
	Non-current assets	1,839,784	1,877,232
18	Inventories	195,107	189,124
19	Trade receivables	219,739	211,644
20,21	Contract assets	130,584	153,575
	Amounts owed by Group entities	228	150
	Income taxes receivables	10,160	2,316
	Other receivables	20,276	36,184
	Prepayments	27,898	18,203
	Receivables	408,885	422,072
	Securities and investments	4,568	3,517
	Cash at bank and in hand	209,950	90,074
	Current assets	818,510	704,787
	ASSETS	2,658,294	2,582,019

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
23	Share capital	100	100
	Reserve for value adjustments of hedging transactions	-2,081	-3,083
	Reserve for foreign exchange adjustments	13,890	3,018
	Retained earnings	407,520	472,721
	Equity	419,429	472,756
	Liabilities		
22	Deferred tax	89,477	100,834
24	Lease liabilities	28,743	26,592
24	Other long-term credit institutions	1,293,751	1,290,760
24	Other long-term liabilities	22,842	22,684
	Non-current liabilities	1,434,813	1,440,870
24	Current portion of long-term liabilities	14,289	16,920
	Other credit institutions	52,159	148,792
25	Other provisions	7,548	11,236
20,21	Contract liabilities	348,188	139,144
	Trade payables	137,368	123,639
	Amounts owed to Group entities	1,429	1,010
	Income taxes	888	24,545
	Deferred income	794	2,847
	Other payables	241,389	200,260
	Current liabilities	804,052	668,393
	Liabilities	2,238,865	2,109,263
	EQUITY AND LIABILITIES	2,658,294	2,582,019

Consolidated financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Value adjustments of hedging transactions	Foreign exchange adjustments	Retained earnings	Total
Equity at 1 January 2020	100	-4,430	19,580	599,395	614,645
Comprehensive income for the year					
Loss for the year	0	0	0	-124,864	-124,864
Other comprehensive income					
Unrealised profit on currency and interest swap in group entities	0	1,769	0	0	1,769
Hereof tax	0	-422	0	0	-422
Exchange rate loss on foreign investments	0	0	-16,562	0	-16,562
Other comprehensive income for the year	0	1,347	-16,562	0	-15,215
Comprehensive income for the year	0	1,347	-16,562	-124,864	-140,079
Share-based payment	0	0	0	-1,810	-1,810
Equity at 31 December 2020	100	-3,083	3,018	472,721	472,756

DKK'000	Share capital	Value adjustments of hedging transactions	Foreign exchange adjustments	Retained earnings	Total
Equity at 1 January 2021	100	-3,083	3,018	472,721	472,756
Comprehensive income for the year					
Loss for the year	0	0	0	-83,646	-83,646
Other comprehensive income					
Unrealised profit on currency and interest swap in group entities	0	1,401	0	0	1,401
Hereof tax	0	-399	0	0	-399
Exchange rate gain on foreign investments	0	0	10,872	0	10,872
Other comprehensive income for the year	0	1,002	10,872	0	11,874
Comprehensive income for the year	0	1,002	10,872	-83,646	-71,772
Capital contribution	0	0	0	13,000	13,000
Share-based payment	0	0	0	5,445	5,445
Equity at 31 December 2021	100	-2,081	13,890	407,520	419,429

Consolidated financial statements for the period 1 January – 31 December

Cash flow statement

DKK'000	2021	2020
Operating profit/loss	1,371	-20,897
Adjustment for special non-recurring items, gain of sale of property, plant and equipment and non-cash items	1,901	0
Depreciation, amortisation and impairment losses	144,164	139,599
Provisions	-3,688	-1,617
Changes in receivables	-1,960	52,851
Changes in inventory, contract assets and contract liabilities	226,052	20,832
Changes in trade payables	13,729	-47,492
Changes in other working capital	40,000	35,897
Interest received	3,944	667
Interest paid	-94,239	-98,939
Corporation tax paid	-53,865	-15,996
Cash flows from operating activities	277,409	64,905
Addition of intangible assets and property, plant and equipment	-63,052	-62,889
Sale of intangible assets and property, plant and equipment	1,011	6,307
Dividends received	2,118	4,264
Cash flows from investing activities	-59,923	-52,318
Contracting of long-term liabilities	3,128	-4,361
Other credit institutions	-96,633	30,435
Leasing activities	-17,105	-18,109
Capital contribution	13,000	-18,307
Cash flows from financing activities	-97,610	-10,342
Net cash flows for the year	119,876	2,245
Cash and cash equivalents at 1 January	90,074	87,829
Cash and cash equivalents at 31 December	209,950	90,074

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements for the period 1 January – 31 December

Content of notes to the Consolidated Financial Statements

Note

1	Adoption of new and revised International Financial Reporting Standards (IFRS)
2	Key accounting estimates and judgements
3	Other general accounting policies
4	Segment information
5	Production costs
6	Staff costs
7	Depreciation, amortisation and impairment losses
8	Other operating income
9	Other operating cost
10	Special non-recurring items
11	Financial income
12	Financial expense
13	Tax for the year
14	Intangible assets
15	Property, plant and equipment
16	Right-of-use assets
17	Investments in associates
18	Inventories
19	Trade receivables
20	Contract assets and liabilities
21	Construction contracts
22	Deferred tax
23	Share capital
24	Long-term liabilities
25	Provisions
26	Security for loans and contingent liabilities
27	Financial risks
28	Derivatives
29	Related parties
30	Fees paid to auditors appointed at the annual general meeting
31	Incentive programmes
32	Reconciliation of financing activities
33	Business acquisitions
34	Events after the balance sheet date
35	New standards and interpretations issued but not yet effective

Notes to the Consolidated Financial Statements

1 Adoption of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Group has applied amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as the amount of interest rate hedge relationships is limited.

New standards and interpretations, not yet adopted by EU

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2021. Frontmatec will adopt the accounting standards and interpretations when they become mandatory.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

2 Key accounting estimates and judgements

The financial reporting process is subject to systematic assessment on an ongoing basis in collaboration with the Audit Committee. The tasks and focus areas of the Audit Committee are updated every year in the form of an annual wheel. According to the annual wheel, the tasks of the Audit Committee include monitoring the financial reporting process in connection with the publication of annual and interim reports, including a review of accounting policies and significant accounting estimates and judgments:

Revenue/construction contracts

The total expected costs related to construction contracts are partly based on an estimate, as they include provisions for unforeseen cost deviations in future supplies of raw materials, subcontractor products and services plus commissioning and handing over. Cost estimates have an impact when assessing the progress of contract works and thereby revenue recognition.

Impairment test

An estimate is made of the future free net cash flow based on budgets and the strategy and projections for subsequent years. Significant parameters in this estimate are discount rate, revenue development, EBIT margins and growth expectations for the years after the budget year.

Deferred tax liabilities and assets

Deferred tax assets are recognised if it is likely that there will be taxable income in the future against which timing differences or tax loss carry forwards may be used.

For this purpose, Management estimates the coming years' earning based on budgets and expected growth.

Inventories

The net realisable value of inventories is calculated as selling price less costs of completion and costs necessary to make the sale. The net realisable value is determined, taking into account marketability, obsolescence and development in expected selling prices. Following the economic trend in the market, Management have given special attention to inventory turnover when determining net realisable value.

Trade receivables

Estimates are used in determining the level of receivables that cannot be collected according to Management. When evaluating the adequacy of the allowance for doubtful receivables, Management analyses trade receivables and examines changes in customer creditworthiness, customer payment patterns and current economic trends.

Warranties

Warranties are measured on the basis of empirical information covering several years as well as estimates by Management of future trends.

Fair value

Estimates and judgements used to determine fair value is described in the relevant notes.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies

Frontmatec Group ApS is a private limited company registered in Denmark. The company holds a bond listed on Nasdaq OMX Copenhagen. The financial statements section of the Annual Report for the year 1 January 2021 - 31 December 2021 comprises both the consolidated financial statements of Frontmatec Group ApS and its subsidiaries (the Group) and the separate Parent Company financial statements.

The consolidated annual accounts are presented in accordance with IFRS as adopted by the EU and other requirements of the Danish Financial Statements Act reporting class D.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable that future financial benefits will accrue to the Group and the value of the assets can be measured reliably. Liabilities are recognised in the balance sheet when the Group as a result of a previous event has a legal or actual commitment, and it is probable that future financial benefits will flow out of the Group and the value of the liability can be measured reliably. Measurement at initial and subsequent recognition of assets and liabilities takes place as described for each individual item below. At recognition and measurement, various risks and losses which appear before the annual report is presented and which confirm or invalidate matters which existed on the balance sheet date are taken into consideration.

Reporting currency

The annual report is presented in Danish kroner (DKK) and rounded to thousands of DKK. DKK is the presentation currency of the activities of the Group and the functional currency of the Parent Company.

Consolidation

The consolidated financial statements comprise the Parent Company Frontmatec Group ApS and entities controlled by it. Control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting power of an entity is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Control may also exist by virtue of an agreement or articles of association or when the parent otherwise has a controlling interest in the subsidiary or actually exercises controlling influence over it.

The existence and effect of potential voting rights that are currently substantive are considered when assessing whether control exists including whether the parent has an exposure or has rights to variable returns from its involvement with the entity.

The consolidated entities' financial statements are prepared in accordance with the accounting policies applied by the parent. The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by adding together like items. Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated.

Business combinations

Recently acquired or sold subsidiaries are recognised in the consolidated comprehensive income statement for the period in which the parent controls such entities. Comparative figures are not restated for recently acquired or sold entities.

The acquisition method is applied to the acquisition of subsidiaries. The cost is made up at the fair value of the consideration. Acquisition-related costs are recognised in the comprehensive income statement. Conditional payments are recognised at fair value at the amount expected to be paid. Identifiable assets and liabilities in the acquired entities are recognised at the fair value at the time of acquisition. Provisions for restructuring expenses relating to the acquired entity are recognised if the restructuring has been decided at the time of acquisition. Provisions for deferred tax are recognised according to fair value revaluations of assets and liabilities. Any residual difference between the cost and the Group's share of the fair value of the identifiable assets and liabilities including deferred tax is recognised as goodwill or negative goodwill.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

If there is uncertainty regarding the identification or measurement of acquired assets, liabilities and contingent liabilities or the determination of the consideration at the date of acquisition, initial recognition is based on provisional values. The provisional values can be adjusted or additional assets or liabilities included until 12 month after the acquisition date. If new information has occurred regarding circumstances that existed at the time of acquisition which would have affected the statement of value at the time of acquisition if the information had been known, assets and liabilities including goodwill are restated accordingly.

Currency translation

The functional currency is determined for each of the reporting entities. The functional currency is the currency primarily used by the individual reporting entity in connection with day-to-day operations. Transactions in another currency than the functional currency are transactions in foreign currency.

Transactions in another currency than the functional currency are translated at a periodic average currency rate or the exchange rate on the transaction date. Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner (DKK) at the exchange rate on the balance sheet date. Any foreign exchange differences between rates prevailing on the date of transaction and the payment date or the balance sheet date, as the case may be, are recognised in the comprehensive income statement as financial items.

Foreign group entities

As regards foreign operations, the items in their financial statements are translated using the following principles:

- Balance sheet items are translated at the closing rate.
- Items in the comprehensive income statement are translated at an average periodic exchange rate.

Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the comprehensive income statement from the rate at the date of the transaction to the closing rate are recognised through other comprehensive income and attributed to a separate translation reserve in equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at fair value. On subsequent recognition, derivative financial instruments are measured at fair value at the balance sheet date. Positive and negative fair values are recognised as other receivables and other payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets or liabilities are recognised in the comprehensive income statement together with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as a cash flow hedge are taken to equity until the hedged transaction is carried through. Where the future transaction results in recognition of an asset or a liability, the accumulated fair value adjustment is transferred from equity to the cost of the asset or liability. Where the future transaction results in income or expenses, the accumulated fair value adjustment is transferred from equity to the comprehensive income statement together with the hedged item.

Fair value adjustments of derivative financial instruments which do not qualify for being treated as hedging instruments are recognised in the comprehensive income statement as financial income or expenses.

Comprehensive income

Revenue recognition

The Group recognizes revenue from the following major sources:

- Sale of spare parts and consumables
- Construction and installation of specialized machinery and equipment including automation
- Supply of service

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Sale of spare parts

The Group sells spare parts and consumables directly to customers. Sales-related warranties associated with spare parts cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37. Revenue is recognized when control of the goods has transferred being when the goods have been shipped to the customer's specific location (delivery). A receivable is recognized by the Group when the goods are delivered to customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Construction and installation of specialized machinery and equipment

The Group constructs and sells specialized machinery and equipment including automation under long-term contracts with customers. Such contracts are entered into before construction begins. Under the terms of the contracts, the Group has an enforceable right to payment for work done. Revenue from these contracts is therefore recognized over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will previously have recognized a contract asset for any work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date under the cost-to-cost method then the Group recognizes a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is typically less than one year.

Supply of service

The Group provides service for maintenance and repair purposes. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15. Payment for service rendered is typically not due from the customer until the service is completed and therefore a contract asset is recognized over the period in which the installation services are performed representing the entity's right to consideration for the services performed to date.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities.

Production costs

Production costs comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories. Production costs regarding construction contracts for third parties are recognised as incurred. Production costs further include research and development costs not satisfying the capitalisation criteria.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Grants

Grants for research and development costs are recognised in the comprehensive income statement as other operating income on a systematic basis over the period in which the Group recognises the expenses for which the grants are intended to compensate.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Special non-recurring items

Special non-recurring items include significant income and costs of a special nature in terms of the Group's revenue generating operating activities which cannot be attributed directly to the Group's ordinary operating activities. Such income and costs include the cost related to significant restructuring of processes and fundamental structural adjustment, as well as gains or losses arising in this connection, and which are significant over time.

Special non-recurring items also include items that by nature are non-recurring, specifically impairment of goodwill, gains and losses on the disposal of activities and transaction cost in a business combination. These items are classified separately in the income statement, in order to provide a more accurate and transparent view of the Group's recurring operating profit.

Amortisation/depreciation of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Intangible assets and property, plant and equipment are amortised/depreciated on a straight-line basis over the expected useful life of each individual asset. The amortisation/depreciation basis is the cost and a scrap value of zero. The expected useful lives of the assets are as follows:

	Useful life (years)
Buildings	10-40
Plant and machinery	3-10
Other fixtures and fittings, tools and equipment	3-5
Development costs	3-10
Acquired intangible assets	3-10

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associate's profit/loss after elimination of internal profits or losses.

Financial income and expenses

Financial income and expenses are recognised in the comprehensive income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, dividends declared from other securities and investments, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities in consolidated financial statements and parent company financial statements the period 1 January - 31 December.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the years deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the comprehensive income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Current tax liabilities and current tax receivable, respectively, are recognised in the balance sheet, computed as calculated tax of the taxable income of the year, adjusted for tax paid on account.

Deferred tax is recognised and measured by the balance orientated liability method of all temporary differences between book value and value for tax of assets and liabilities. Tax value of the assets is computed on the basis of the planned use of the individual asset. Deferred tax is measured on the basis of the tax rules and the rates of tax in the respective countries, which with the legislation on the balance sheet day, will apply when the deferred tax is expected triggered as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the statement of comprehensive income. Deferred tax assets, including value for tax of tax losses allowed for carry forward are recognised in the balance sheet with the value at which the asset is expected to be realised, either through set off in deferred tax liabilities or as net tax assets.

Balance sheet

Goodwill

Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to the cash flow generating units as defined by Management. The determination of cash generating units complies with the managerial structure and the internal control and reporting in the Group.

Other intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development projects are capitalised if they are clearly defined and identifiable and the following recognition criteria can be satisfied:

- the technical feasibility of completing the project can be demonstrated
- plans are to produce and market the product or to use the product or the process
- sufficient technical and financial resources to complete and use or sell the project are available
- it is probable that the project will generate future economic benefits and that a potential, future market or possibility of internal use in the entity exists
- the cost can be made up reliably.

Development costs not satisfying the above criteria are expensed in the comprehensive income statement as incurred. The cost of development projects is measured at direct costs incurred as well as a portion of costs directly attributable to the individual development projects.

Property, plant and equipment

Land and buildings, plant and facilities and other fixtures and fittings are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated, as the scrap value expects to exceed carrying amounts.

Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use. The cost of self-constructed non-current assets includes the cost of direct materials and labour, etc. directly used in the production process and a portion of the relating production overheads.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Investments in group entities

Investments in subsidiaries are in the Parent company's financial statements measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised to this lower value.

Investments in associates

Investment in associates is accounted for using the equity method.

Dividends received from associates below represent the actual amounts attributable and hence received by the Group. The other summary information that precedes the reconciliation to the Group's carrying amount represents amounts included in the IFRS financial statements of the associate, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

Impairment test

Goodwill is tested for impairment at least once a year and when there is evidence of impairment, the first time being before the end of the year of acquisition. The carrying amounts of other non-current assets are reviewed each year to determine whether there is any evidence of impairment. If any such evidence exists, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the assets less expected disposal costs or value in use.

Impairment losses are recognised if the carrying amount of an asset or a cash generating unit exceeds the recoverable amount of the asset or the cash generating unit. Impairment losses are recognised in the comprehensive income statement under the same heading as the related amortisation and depreciation. Impairment of goodwill is not reversed.

Recognition of impairment of other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the recognition of impairment.

Loss on impairment is only reversed to the extent that the new carrying amount of the asset does not exceed the carrying amount which the asset would have had after depreciation or amortisation if the asset had not been written down for impairment.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value. The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Work in progress and finished goods are measured at manufacturing cost, which includes the cost of raw materials, consumables and direct payroll costs plus production overheads.

Production overheads comprise direct attributable costs incurred in connection with processing raw materials into finished goods, including labour as well as maintenance and amortisation/depreciation of intangible assets and property, plant and equipment used in the production process.

Receivables

Receivables are recognised initially at fair value less expected credit loss. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the report date, including time value of money where appropriate.

Construction contracts

Ongoing service supplies and construction contracts are measured at the fair value of the work performed less advances received. The fair value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual construction contract.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Where the outcome of a construction contract cannot be made up reliably, the fair value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the construction contract are expected to exceed the total fair value, the expected loss is recognised as a loss making agreement under "Provisions" and is expensed in the comprehensive income statement.

The value of each construction contract less prepayments is classified as contract assets when the fair value exceeds prepayments and as contract liabilities when prepayments exceed the fair value.

The individual construction contract is recognised in the balance sheet under receivables or liabilities dependent on whether the net value, calculated as the purchase price less received prepayments, is negative or positive.

Securities and investments

Securities and investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at a value made up using generally recognised valuation principles if the securities are unlisted.

Cash

Cash comprises cash and bank balances, utilised draft facilities and are measured at amortised cost.

Employee obligations

Pension obligations and similar non-current liabilities

The Group has entered into pension plans and similar arrangements with most employees.

Contributions to defined contribution plans where the Group makes fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any outstanding contributions are recognised in the statement of financial position as other payables.

Incentive programme

The value of services received in exchange for granted options is measured at the fair value of the options granted. For equity-settled programmes, the share options are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The counter entry is recognised directly in equity as an owner transaction.

On initial recognition of the share options, an estimate is made of the number of options expected to vest. That estimate is subsequently revised for changes in the number of options expected to vest so that the total recognition is based on the actual number of vested options.

Accordingly, recognition is based on the number of options ultimately vested. The fair value of granted options is estimated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on construction contracts, restructurings, etc. Provisions are recognised when the entity has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Income tax

Current tax payables and receivables are recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on nonamortisable goodwill.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the comprehensive income statement over the term of the loan. Other liabilities are measured at net realisable value.

Deferred income

Deferred income is measured at cost in consolidated financial statements and parent company financial statements for the period 1 January - 31 December.

Cash flow statement

The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid net financials and paid income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities which are part of investment activities and payments in connection with purchase and sale of businesses and activities.

Cash flows from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and short-term securities in respect of which the risks of changes in value are insignificant.

ESEF Regulation

The ESEF Regulation sets out the following main requirements: 1) Issuers shall draw up and disclose their annual financial reports using the XHTML format; and 2) issuers that draw-up their primary consolidated financial statements in accordance with IFRS as endorsed by the EU shall tag those consolidated financial statements using inline eXtensible Business Reporting Language (iXBRL) and with effect from the 2022 Annual Report block-tag the notes to the consolidated financial statements.

iXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

As part of the tagging process financial statement line items are marked up to elements in the ESEF taxonomy. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Annual Report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with some technical files all included in a ZIP file named FRTMGP-2021-12-31_en.zip

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

4 Segment information

Advanced food processing equipment is our only operating and reporting segment. Due to differences in the product offerings in the geographical areas we therefore focus our internal reporting on geographical areas and three reportable segments: North America, Europe and Rest of the World

With the responsibility of the total product line anchored in the local geographical areas we are capable of improving our customer specific offerings. Offerings range from first time sale of single products to turn-key projects, subsequent services operation & maintenance, upgrades and rebuilds of existing equipment, plant and sale of spare parts and wear parts.

The segmentation reflects the internal reporting and management structure applied. The segments are primarily managed on operating profit before depreciations.

Financial year ended 31 December 2021

DKK'000	North America	Europe	Rest of World	Total	Unallocated	Consolidated
Revenue	498,612	874,880	50,008	1,423,500	0	1,423,500
Operating profit before depreciation	88,238	88,048	-30,751	145,535	0	145,535
Total assets	246,974	665,510	135,276	1,047,760	1,610,534	2,658,294
Short term liabilities	-375,994	-457,437	-147,645	-981,076	-1,257,789	-2,238,865
	-129,020	208,073	-12,369	66,684	352,745	419,429

There has not been allocated any equity, borrowings, cash, deferred tax and tax payables to the three operating segments.

Financial year ended 31 December 2020

DKK'000	North America	Europe	Rest of World	Total	Unallocated	Consolidated
Revenue	396,676	949,500	69,398	1,415,574	0	1,415,574
Operating profit before depreciation	89,644	47,214	-18,156	118,702	0	118,702
Total assets	210,836	667,525	129,041	1,007,402	1,574,617	2,582,019
Short term liabilities	-86,810	-417,494	-110,037	-614,341	-1,494,922	-2,109,263
	124,026	250,031	19,004	393,061	79,695	472,756

There are no single customers with revenue of more than 10% of the total revenue.

DKK'000	2021	2020
Timing of revenue recognition		
Recognition at single point of time	527,364	475,146
Recognition over time	896,136	940,428
	1,423,500	1,415,574

Performance obligations are usually satisfied within a 12-month period and hence part of the transaction price allocated to the unsatisfied part of ongoing contracts is not disclosed.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2021	2020
5 Production costs		
Production costs for the year	920,032	962,707
Inventory write-down for the year	-2,466	7,841
	917,566	970,548
6 Staff costs		
Wages and salaries	469,847	463,096
Pensions	20,375	17,314
Other social security costs	35,739	31,322
	525,961	511,732
Average number of full-time employees	1,161	1,163
Staff costs are recognised as follows financial statements:		
Production costs	278,238	272,833
Staff costs	247,723	238,899
Special non-recurring costs	0	0
	525,961	511,732

Total remuneration to the Executive Board of DKK 7,767 thousand and Board of Directors of DKK 4,590 thousand are included in staff costs (DKK 6,182 thousand in 2020).

Remuneration for the year can be specified as follows:

DKK'000	Group Executive Management	Executive Board	Board of directors
2021			
Salaries	10,104	5,376	900
Pension	1,084	620	0
Share based payment	2,356	1,771	3,690
	13,544	7,767	4,590
2020			
Salaries	10,539	6,414	484
Pension	1,063	812	0
Share based payment	-1,240	-1,533	5
	10,362	5,693	489

For details on share based payment please refer to note 31.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2021	2020
7 Depreciation, amortisation and impairment losses		
Development completed	73,351	71,512
Acquired intangible assets	31,075	27,537
Buildings	8,525	8,477
Plant and machinery	6,823	8,629
Other fixtures and fittings, tools and equipment	6,181	5,921
Right-of-use assets	18,209	17,523
	144,164	139,599
8 Other operating income		
COVID-19 related compensation	22,741	7,937
Government Grant	2,763	462
Profit on sale of business activity	0	1,487
Profit on sale of property, plant and equipment	47	0
Other operating income	96	0
	25,647	9,886
9 Other operating cost		
Loss on sale of property, plant and equipment	0	2,012
	0	2,012
10 Special items		
External cost related to acquisitions	2,525	68
Cost of internal restructuring	37,249	7,682
	39,774	7,750
11 Financial income		
Exchange rate gains	3,501	0
Other interest receivable, exchange rate gains and similar income	443	667
	3,944	667
12 Financial expenses		
Exchange rate losses	0	5,001
Interest expense, and similar expenses	92,744	92,324
Calculated interest expense for right of use assets	1,495	1,614
	94,239	98,939

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000		2021	2020
13	Tax for the year		
	Current tax for the year	23,241	18,931
	Current tax for last year	-1,276	6,909
	Changes in provision for deferred tax	-15,512	-18,406
		6,453	7,434
Specified as follows:			
	Tax for the year	2,735	103
	Tax for last year	3,319	6,909
	Tax on profit/loss	6,054	7,012
	Tax on changes in OCI	399	422
		6,453	7,434
Reconciliation of tax rate:			
	Tax according to Danish tax rate	-20,824	-25,835
	Differences in the tax rates in foreign subsidiaries relative to 22%	5,971	5,686
	Non-taxable income and non-deductible costs	9,857	20,674
	Adjustments of current tax regarding previous years	1,737	0
	Not recognised deferred tax asset	9,712	6,909
		6,453	7,434
	Effective tax rate	-6,8%	-6.3 %

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Intangible assets

DKK'000	Goodwill	Development completed	Acquired Intangible assets	Development in progress	Total
Cost price					
Cost at 1 January 2021	1,109,933	524,513	317,982	104,398	2,056,826
Acquisitions	0	0	0	0	0
Exchange rate adjustments	0	1,977	1,205	2,975	6,157
Transfer	0	11,454	0	-11,454	0
Additions in the year	0	7	7,876	45,518	53,401
Disposals in the year	0	-17	-53	-45	-115
Cost at 31 December 2021	1,109,933	537,934	327,010	141,392	2,116,269
Amortisation and write-downs					
Balance at 1 January	0	306,680	152,898	0	459,578
Exchange rate adjustments	0	1,121	291	0	1,412
Transfer	0	0	0	0	0
Amortisation in the year	0	73,351	31,075	0	104,426
Disposals in the year	0	-7	-19	0	-26
Balance at 31 December 2021	0	381,145	184,245	0	565,390
Carrying amount at 31 December 2021	1,109,933	156,789	142,765	141,392	1,550,879
Cost price					
Cost at 1 January 2020	1,109,933	505,873	309,888	82,553	2,008,247
Acquisitions	0	0	0	0	0
Exchange rate adjustments	0	-1,656	-632	-793	-3,081
Transfer	0	20,715	0	-20,715	0
Additions in the year	0	156	9,273	43,538	52,967
Disposals in the year	0	-575	-547	-185	-1,307
Cost at 31 December 2020	1,109,933	524,513	317,982	104,398	2,056,826
Amortisation and write-downs					
Balance at 1 January	0	235,909	125,948	0	361,857
Exchange rate adjustments	0	-626	-332	0	-958
Transfer	0	0	0	0	0
Amortisation in the year	0	71,512	27,537	0	99,049
Disposals in the year	0	-115	-255	0	-370
Balance at 31 December 2020	0	306,680	152,898	0	459,578
Carrying amount at 31 December 2020	1,109,933	217,833	165,084	104,398	1,597,248

The management performs an impairment test of the carrying amount of carrying amount at least annually and more frequently if there are indicators of impairment. In the review of other non-current assets there were no evidence of impairment.

The annual impairment test is performed on 31 December 2021.

The recoverable amount of goodwill to the individual cash generating units are calculated based on the Capital Asset Pricing Model (CAPM model).

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Intangible assets (continued)

The impairment test as at 31 December 2021 showed no evidence of impairment for 2021. Management believes that currently no changes in the key assumptions are reasonably likely to reduce the headroom to zero in the CGU.

The definition of CGU in the impairment test is based on the certainty by which the carrying amount of the intangible assets can reasonably be allocated and monitored. The impairment test is based on the CGU "Advanced food processing equipment".

Key assumptions

The recoverable amount of the individual cash-generating unit to which the goodwill amounts to, is calculated based on the calculations of capital value. The most significant uncertainties are connected to the determination of discount rates, growth rates and expected changes in costs in the budget and terminal periods.

Assumptions used in the calculation is an EBIT Margin of 8.7 percent in 2021. The long-term EBIT margin of 18 percent. Growth is supported by a rising world population, increasing urbanising, growing wealth and a request for automated solutions as an outcome of the COVID-19 Pandemic there is an increasing demand for food well-being and food safety. The entities have a potential to grow in both their core markets as well as in other markets where other group entities are located.

The expected annual growth rate and the expected margins in the budget period are based on historical experience and the assumptions about expected market developments as detailed above.

The discount rate has been revised for the CGU to reflect the latest market assumptions for the risk-free rate based on a 10-year government bond, the equity risk premium and the cost of debt.

The long term growth rate for the terminal period is based on the expected growth in the world economy, specifically for the industry.

Cash generating unit	Annually average growth rate in EBIT in budget period	Growth rate in terminal period	Discount rate after tax	Discount rate before tax
Advanced food processing equipment	10-18	1%	11,9	11,9

A sensibility analysis has been made of the main assumptions in the impairment test to identify the lowest and/or highest discount rate and the lowest growth rate for each cash generating unit. The sensibility analysis shows no evidence of impairment.

DKK' million	EBIT decreases by 10 percent	Annual Growth rate drops 2 percentage points	Discount rate after tax Increase by 1 percentage point
Effect on value in use	-701	-527	-377

Completed development projects and development projects in progress are own developed R&D.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

15 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost price				
Cost at 1 January 2021	154,597	51,117	33,227	238,941
Acquisitions	0	0	0	0
Exchange rate adjustments	9,095	3,404	1,521	14,020
Transfer	239	2,304	2,279	4,822
Additions in the year	2,694	2,048	4,909	9,651
Disposals in the year	-368	-1,363	-1,531	-3,262
Cost at 31 December 2021	166,257	57,510	40,405	264,172
Amortisation and write-downs				
Balance at 1 January	27,692	24,970	17,104	69,766
Exchange rate adjustments	1,313	2,258	779	4,350
Transfer	239	2,304	2,279	4,822
Amortisation in the year	8,525	6,823	6,181	21,529
Disposals in the year	0	-1,148	-1,192	-2,340
Balance at 31 December 2021	37,769	35,207	25,151	98,127
Carrying amount at 31 December 2021	128,488	22,303	15,254	166,045
Cost price				
Cost at 1 January 2020	156,757	53,130	28,639	238,526
Acquisitions during the year	0	0	0	0
Exchange rate adjustments	-3,561	-2,844	-706	-7,111
Transfer	0	0	0	0
Additions in the year	1,401	8,134	7,366	16,901
Disposals in the year	0	-7,303	-2,072	-9,375
Cost at 31 December 2020	154,597	51,117	33,227	238,941
Amortisation and write-downs				
Balance at 1 January	19,684	19,834	13,479	52,997
Exchange rate adjustments	-469	-1,607	-362	-2,438
Transfer	0	0	0	0
Amortisation in the year	8,477	8,629	5,921	23,027
Disposals in the year	0	-1,886	-1,934	-3,820
Balance at 31 December 2020	27,692	24,970	17,104	69,766
Carrying amount at 31 December 2020	126,905	26,147	16,123	169,175

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

16 Right-of-use assets

DKK'000	Land and buildings	Plant and machinery	Other fixture and fittings, tools and equipment	Total
Balance at 1 January 2021	32,293	463	8,589	41,345
Exchange rate adjustments	-97	-65	759	597
Additions in the year	746	2,909	1,833	5,488
Re-measurement of leading debt	10,972	0	-568	10,404
Depreciation in the year	-12,160	-689	-5,360	-18,209
Balance at 31 December 2021	31,754	2,618	5,253	39,625
Balance at 1 January 2020	38,431	133	9,443	48,007
Exchange rate adjustments	-600	-3	-181	-784
Additions in the year	5,604	664	5,184	11,452
Re-measurement of leading debt	226	0	-33	193
Depreciation in the year	-11,368	-331	-5,824	-17,523
Balance at 31 December 2020	32,293	463	8,589	41,345

The Group leases several assets including building and cars. The lease terms range from 1 to 3 years for cars and 2 to indefinite for buildings.

Management estimate for the expected use of right-of-use assets with no defined expiry date a range of 1.5 to 5 years was applied.

Leases does not include variable lease payments.

Approximately 20 percent of the leases for cars expires in the current financial year. The expired contracts were replaced with new leases for identical underlying assets. The resulted in additions to right-of-use assets of DKK 1.8 million.

The addition to land and buildings relate and plant and machinery to new leases of buildings and machinery in Tandslet.

DKK'000	2021	2020
Depreciation expense on right-of-use assets	18,209	17,507
Interest expense on lease liabilities	1,456	1,614
	19,664	19,121

The total cash outflow for leases amount to DKK 19.8 million for the Frontmategroup.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

17 Investments in associates

Associates

AIRA ROBOTICS, S.L (Aira)

Principal activity	Legal form	Domicile	Direct Group holding
Development and sales of robotic solutions for the meat industry	S.L.	Cardona, Spain	40%

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS Standards (adjusted by the Group for equity accounting purposes).

DKK'000	2021
Current assets	78,129
Non-current assets	13,631
Current liabilities	-26,734
Non-current liabilities	-5,870
Equity attributable to owners of the company	59,156
Non-controlling interest in associate	-35,494
Controlling interest in associate	23,662
Goodwill	23,656
Carrying amount of the Group's interest in the associate	47,318
Revenue	91,984
Profit for the year	29,326
Other comprehensive income attributable to other owners of the company	-17,595
Total comprehensive income	11,731
Dividends received from the associate during the year	2,118

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aira recognised in the consolidated financial statements.

Cost price for the investment in Aira is DKK 26.9 million.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

18 Inventories

DKK'000	2021	2020
Raw materials and consumables	106,353	97,845
Work in progress	19,561	14,822
Manufactured goods and goods for resale	69,193	76,457
	195,107	189,124
Write down at 1 January	24,248	20,226
Foreign exchange adjustments	206	-382
Addition	1,678	5,424
Reversals/realised	-4,145	-1,020
Write down at 31 December	21,987	24,248

19 Trade receivables

DKK'000	2021	2020
Receivables from sales	219,739	211,644
Bad debt at 1 January	5,588	9,471
Foreign exchange adjustments	70	-48
Addition	337	321
Reversals/realised	-2,805	-4,156
Bad debt at 31 December	3,190	5,588

DKK'000	2021		2020	
	Gross carrying amount	Reservation for bad debt	Gross carrying amount	Reservation for bad debt
Not due for payment	153,371	-345	137,827	-490
Overdue under one month	40,143	-112	40,985	-283
Overdue one to two month	17,281	-150	4,448	-14
Overdue two to three month	5,076	-7	13,988	-62
Overdue over three month	7,058	-2,576	19,984	-4,739
Balance at 31 December 2021	222,929	-3,190	217,232	-5,588

The credit period is between 8-60 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. Expected credit losses on trade receivables are estimated based on past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Historical losses are fairly limited since the majority of trade receivables relate to projects where prepayments are received.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Contract assets and liabilities

DKK'000	2021	2020
Contractual assets		
Construction contracts	130,584	153,575
Contractual liabilities		
Construction contracts	-348,188	-139,144

Recorded revenue related to contracts

Contracts (assets) with customers include sales value of work performed where the Group has not yet obtained an unconditional right to payment since the work has not been completed in full and thereby accepted by the customer

Contracts (liabilities) include unconditional prepayments for work not yet performed. The liabilities at 1 January 2021 of DKK 139.1 million (2020: DKK 142.2 million) have been recognised as revenue in 2021 and 2020 respectively.

Significant change in contractual assets and liabilities

The change in contractual assets and contractual liabilities is driven by changed mix in project phases, and many new orders.

Not satisfied performance obligations related to construction contracts

In accordance with IFRS 15.112 the Group does not disclose information on not-satisfied performance obligations since the construction contract have an activity range of less than one year.

21 Construction contracts

DKK'000	2021	2020
Selling price of work performed	1,509,852	1,348,183
Progress billings	-1,727,456	-1,333,752
	-217,604	14,431
recognised as follows:		
Contracts assets	130,584	153,575
Contracts liabilities	-348,188	-139,144
	-217,604	14,431

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Deferred tax

Deferred tax relates to:

DKK'000	2021	2020
Intangible assets	-84,192	-97,251
Property, plant and equipment	2,727	1,383
Current assets	-1,772	2,226
Liabilities	1,111	3,420
Tax loss carry forwards	28,566	21,150
Deferred tax at 31 December	-53,560	-69,072
recognised as follows:		
Deferred tax assets	35,917	31,762
Deferred tax liability	-89,477	-100,834
Deferred tax at 31 December	-53,560	-69,072

Carry forward losses are recognized based on the expected utilization within 3-5 year.

Carry forward losses of DKK 58,4 million are not registered deferred tax as it is not expected to be utilized within the 3-5 years.

23 Share capital

The Parent Company's share capital, DKK 100 thousand, is composed of shares of DKK 0.01 or multiples hereof.

DKK'000	2021	2020
1 January	100	100
31 December	100	100

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

24 Long-term liabilities

Breakdown of certain liabilities according to long-term and short-term liabilities:

DKK'000	Due between 1 and 5 years	Due after more than 5 years	Total long-term liabilities at 31/12 2021	Due within 1 year	Total 31/12 2021
Mortgage debt	2,877	3,290	6,167	1,265	7,432
Other credit institutions	1,287,584	0	1,287,584	0	1,287,584
Other long-term liabilities	682	22,160	22,842	0	22,842
Lease liabilities	28,743	0	28,743	13,024	41,767
	1,319,886	25,450	1,345,336	14,289	1,359,625

DKK'000	Due between 1 and 5 years	Due after more than 5 years	Total long-term liabilities at 31/12 2020	Due within 1 year	Total 31/12 2020
Mortgage debt	3,831	3,598	7,429	1,128	8,557
Other credit institutions	1,283,331	0	1,283,331	0	1,283,331
Other long-term liabilities	1,184	21,500	22,684	743	23,427
Lease liabilities	26,592	0	26,592	15,792	42,384
	1,314,938	25,098	1,340,036	17,663	1,357,699

The fair value of other credit institutions is calculated as redemption cost for the outstanding bonds. The fair value is DKK 1,353 million for the Senior Secured Floating Rate Bonds. Significant observable inputs (level 2) have been used in the fair value measurement.

Interest for EUR 175,000,000 Senior Secured Floating Rate Bonds until due date 10 October 2024 amount to DKK 210.6 million.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's central finance function.

25 Provisions

DKK'000	2021	2020
Warranties at 1 January	11,236	12,853
Exchange rate adjustments	150	-653
Utilised during the year	-2,954	-5,612
Reversal	-8,437	-4,398
Provision for the year	7,553	9,046
Warranties at 31 December	7,548	11,236

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

26 Security for loans and contingent liabilities

Group

The shares in Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec Skive A/S, Frontmatec Smørum A/S, Frontmatec Hygiene GmbH, Frontmatec Equipment Inc., Frontmatec Inc. and Frontmatec B.V. are held as security for all bank debt.

As security for mortgage loan of DKK 7.4 million, mortgage is granted on the land buildings at a book value of DKK 36.4 million with an owner's mortgage secured on the property Mommarksvej a293-301, Tandslet of DKK 15.0 million, Hassellunden 9, Smørum DKK 6.2 million.

As security for ERU 175m Nordic Bond is granted with an owner's mortgage secured on the property, Mommarksvej 293-301, Tandslet of DKK 2.5 million.

As security for all bank loans, floating company deed over chattels is granted by Frontmatec Tandslet A/S, DKK 37.7 million, Frontmatec Smørum A/S, DKK 3 million and Frontmatec Kolding A/S, DKK 15 million.

As security for bank loan of CNY 10 million mortgage is granted on the land of the property, No. 11 Industrial Garden, Huangtun town, Jining High & New Tech. Development Zone, Shandong, R.R. 272100 China.

Furthermore, the Group has issued a negative pledge to the bank.

Frontmatec Group ApS, Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec Smørum A/S, Frontmatec GmbH and Frontmatec Hygiene GmbH, Frontmatec Equipment Inc., Frontmatec Inc. and Accles & Shelvoke Ltd., have issued a guarantee of payment for all bank debt.

Prepayment guarantees and performance bonds provided to customers amount to DKK 131,1 million.

The Group's Danish companies are jointly and severally liable for tax on consolidated taxable income etc. The total amount of corporation tax payable is disclosed in the annual report of Frontmatec Holding III ApS, which is the administration company for joint taxation.

Furthermore, the Group's Danish companies are jointly and severally liable for Danish withholding taxes on dividends, royalties and interest. Any subsequent changes to corporation taxes and withholding taxes may render the Company liable for a greater amount.

The Group is involved in disputes. The outcome of such disputes is by nature unknown but is not expected to have significant impact on our financial position.

27 Financial risks

The Group's financial risks comprise currency, interest, and price risks. Management identifies the level and concentration of risks and initiates policies to address these through continuous business reviews. The Group is also exposed to liquidity and credit risks, but it is the Group's policy not to engage in any active speculation in financial risks.

Currency risk

The Group's currency risk derives from the impact of exchange rates on future commercial payments and financial payments. Most of the Group's revenue is order-based and consists mainly of sales in the functional currency used by the individual company. The Group enters into forward contracts no later than when the sales contract becomes effective.

Production costs typically consist of internal costs and procurement in the Group's functional currency and other currencies.

The Group's has a EUR 175,000,000 Senior Secured Floating Rate Bonds due 10 October 2024.

The Group's main currencies for commercial purposes are DKK, EUR, USD, CAD, CNY, GBP and RUB.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

27 Financial risks (continued)

An increase of 5% in a given exchange rate against DKK would in 2021 have had the following impact on the consolidated profit for the year and equity.

DKK'000	EUR	USD	CAD	CNY	GBP	RUB
Profit/Loss	-60,990	2,397	1,323	-265	592	78
Equity	-56,213	7,411	6,728	-4,396	2,871	47

The currency exposures arising from financial instruments; thus, the analysis does not include the hedged commercial transactions.

Interest risk

Interest rate risks concern the interest-bearing financial assets and liabilities of the Company. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of corporate bonds, bank and mortgage debt. Interest rate risks occur when interest rate levels change. A 1% increase in the interest rate will have a DKK 11.9 million effect on the Company's interest expenses. The Group has entered into an interest swap to minimize the interest risk.

Price risk

The Company has a low price risk on procurement and sales. The possibilities to apply price adjustments to the sales prices depend partly on the market situation. Price changes can therefore affect the profit/loss both upwards and downwards. It is company policy not to enter into long-term price agreements with neither customers nor vendors.

Liquidity risk

The purpose of the Company's cash management is to ensure that the Company at all times has sufficient and flexible financial resources at its disposal and is able to honour its obligations when due. The Company's liquidity reserves consist of credit balances and fixed overdraft facilities.

Financial counterpart risk

The use of financial instruments entails the risk that the counterparty may not be able to honour its obligations. The Company minimizes risk by limiting its use of financial institutions to those with an acceptable credit rating.

Commercial credit risk

The credit risk incurred from trade receivables is generally managed by continuous credit evaluation of customers and trading partners. Credit risks on counterparties other than banks are minimized through the use of export letters of credit, prepayments.

The maximum credit risk related to financial assets corresponds to the accounting value plus write-downs.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

28 Derivatives

Fair value hedge

To minimize the foreign currency exposure arising from intercompany balances, the Company uses forward exchange contracts. The change in fair value is specified below:

DKK'000	2021	2020
Fair value	-25,653	-14,132
Included in the income statement	-25,653	-14,132

The contract notional amount on the forward exchange contracts are:

	2021	2020
DKK/USD	-112,805	-73,875
DKK/GBP	-3,744	-3,701
CNH/DKK	119,200	122,650
USD/DKK	214	0

Cash-flow hedge

To minimise the foreign currency exposure arising from future cash transactions and to minimize the interest fluctuations on long-term liabilities, the company used forward exchange contracts and interest rate caps. The change in fair value is specified below:

DKK'000	2021	2020
Fair value	-2,840	-3,716
Included in other comprehensive income	-876	1,769

The contract notional amount on the forward exchange contracts are:

DKK'000	2021	2020
AUD/DKK	0	2,926
USD/DKK	1,988	11,111
USD/CAD	9,457	1,000
CAD/DKK	335	0

Expected recognition for the hedges are in 2022.

The conditions on the interest rate caps are:

DKK'000	2021	2020
Principal amount	871,364	871,328
Strike	0%	0%
Expire	10/10 2022	10/10 2022

At 31 December 2021 the fair value of the Group's hedge instruments amounted to DKK -28.5 million (2020: DKK -17.8 million).

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

29 Related parties

Frontmatec Group I ApS has controlling interest in Frontmatec Group ApS.

Related parties with significant influence consist of the Company's Board of Directors and Executive Board plus close relatives of these persons.

Related parties also include companies on which these persons exert considerable influence.

Transactions between the consolidated group enterprises are eliminated in these consolidated financial statements. In 2021 there were no transactions between related parties not part of the Group apart from the transactions mentioned below and in notes 6 and 31.

In 2021 the Group had tax and interest transactions with Frontmatec Holding I ApS, Frontmatec Holding II ApS and Frontmatec Holding III ApS for an amount between 0.0-0.2 million (2020: DKK 0.1-0.6 million).

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% voting rights or minimum 5% of the share capital:

- ▶ Frontmatec Holding I ApS, Platinvej 8, DK-6000 Kolding.

30 Fees paid to auditors appointed at the annual general meeting

DKK'000	2021	2020
Total fees to Deloitte		
Fee for statutory audit	1,753	1,492
Other assurance engagements	0	5
Fee for tax advice	961	972
Fee for non-audit services	1,063	648
	3,777	3,117
Total fees to other auditors		
Fee for statutory audit	473	363
Other assurance engagements	119	0
Fee for tax advice	536	168
Fee for non-audit services	1,478	686
	2,606	1,217

The fee for non-audit services provided to the Group in 2021 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1.1 million and consisted of financial advisory and accounting services. The fee for non-audit services provided to the Group in 2020 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.6 million and consisted of financial advisory and accounting services.

The subsidiaries Frontmatec Hygiene GmbH, Frontmatec GmbH, Frontmatec Shanghai Co. Ltd., China, Frontmatec Jining Co., Ltd., China, Frontmatec B.V., The Netherlands, Frontmatec Holding B.V., The Netherlands, Frontmatec Sp. Z. o. o., Poland, Frontmatec LLC, Russia, Accles & Shelvoke, Ltd., UK, Accles & Shelvoke Inc., USA, Frontmatec Sibiu SRL, Romania and Frontmatec - Intecal S.A.U., Spain are not audited by the Parent company's auditors, but by another recognised local audit firm.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

31 Incentive programmes

The group executive management, and a number of key employees in the Group have been granted options to purchase shares in Frontmategroup Holding II ApS, at a set strike price.

The program, which can only be exercised by purchasing the shares in question, grants the right to acquire a number of shares in Frontmategroup Holding II ApS at a price agreed in advance. The warrant program is contingent on employment in the Company.

The value of the allotted warrants in 2021 is DKK 6.4 million. The value of the lapsed warrants in 2021 is DKK 0.5 million. The value of exercised warrants in 2021 is DKK 0 million. The total value of the allotted warrants as of 31 December 2021 are DKK 21.4 million. The cost is booked as staff costs.

The fair value of the warrants allocated is estimated by means of the Monte Carlo simulations. The value is calculated under the following assumptions:

Estimated volatility (based on a view of peer-Companies)	25.00 - 40.00%
Risk-free interest	-0.50 - 0.00%
Market value at the time of establishment	DKK 31.7 million
Expiry (number of years)	1.67 - 4.92

Every A1 warrant grants the right to buy 1 share in Frontmategroup Holding II ApS with a nominal value of 0.01 at a rate of DKK 0.01 at the Exit date

Every A2 warrant grants the right to buy 1 share in Frontmategroup Holding II ApS with a nominal value of 0.01 at a rate of DKK 10-15 + 8 % p.a.

Every B warrant grants the right to buy 1 share in Frontmategroup Holding II ApS with a nominal value of 0.01 at a rate of DKK 10-15.0 + 16 % p.a.

The participants may exercise their warrants in the below periods and in the event of Exit.

Issued	Exercise period one	Exercise period two
Sep-2016- to Dec-2016	1 October 2021 to 1 November 2021	1 October 2023 to 1 November 2023
Aug-2018	1 August 2023 to 1 September 2023	1 August 2025 to 1 September 2025
Mar-2019	1 October 2023 to 1 November 2023	1 October 2025 to 1 November 2025
Jan-2020	1 January 2025 to 1 February 2025	1 January 2027 to 1 February 2027
Feb-2020	1 February 2025 to 1 March 2025	1 February 2027 to 1 March 2027
Feb-2020	1 April 2025 to 1 May 2025	1 April 2027 to 1 May 2027
Dec 2020	1 December 2025 to 1 January 2026	1 December 2027 to 1 January 2028
Jan 2021	1 January 2026 to 1 February 2026	1 January 2028 to 1 February 2028
Mar 2021	1 March 2026 to 1 April 2026	1 March 2028 to 1 April 2028
Oct 2021	1 November 2026 to 1 December 2026	1 November 2028 to 1 December 2028

Number of warrants

	A1 warrants	A2 warrants	B warrants
1 January 2021	258,500	3,480,071	1,740,036
Allotted in 2021	100,000	293,629	146,814
Lapsed in 2021	0	-110,250	-55,125
Exercised in 2021	-100,000	0	0
31 December 2021	258,500	3,663,450	1,831,725

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

32 Reconciliation of financing activities

	2020	Cash flows	FX movement	2021
Long-term borrowings	1,290,760	3,779	-788	1,293,751
Short-term credit institutions	1,128	137	0	1,265
	1,291,888	3,916	-788	1,295,016

	2019	Cash flows	FX movement	2020
Long-term borrowings	1,294,250	-2,630	-860	1,290,760
Short-term credit institutions	2,859	-1,731	0	1,128
	1,297,109	-4,361	-860	1,291,888

33 Business acquisitions

From the balance sheet date and until the date of financial reporting in 2022, Frontmatec group have acquired additional enterprises. We are in the process of assessing their fair value. The acquisition cost is expected to relate primarily to customer relations, technology and goodwill.

34 Events after the balance sheet date

In January 2022, Frontmatec Group acquired the majority of the shares in Asuan. Asuan deliver innovative and customized solutions to the meat industry in Uruguay. Based in Montevideo, Asuan employs 125 employees and has subsidiaries in Brazil and Mexico. Latin America is a strategically important market to Frontmatec with some of the largest and most respected meat processors in the world. With Asuan joining forces with Frontmatec, the Group will strengthen the position in the Latin American.

In April 2022, Frontmatec Group acquired the remaining 60% in AIRA to take 100% ownership of the Spanish based company AIRA – Assessorament Industrial Robòtica, S.L. to capitalize on the robot potential. The ownership will secure the unique competences in free arm robotic solutions and support the increasing level of automation in the global meat industry.

The conflict in Russia and Ukraine is not expected to have material impact on the evaluation of the Group's financial position and revenue. Frontmatec has revenue in Russia and Ukraine with less than 10% of the Group's revenue in 2021 and less than 5% of the Group's gross profit in 2021. Frontmatec has decided to pause all activity in Russia for the time being. We remain in close contact with our Russian colleagues and are working together to offer support to them and their families. We currently do not expect significant ripple effects of the ongoing conflict to our global business. Frontmatec will adhere to all sanctions being imposed and we continue to monitor the situation very closely.

Other than the acquisition mentioned and the conflict in Russia and Ukraine, there have been no events since 31 December 2021, which could significantly affect the evaluation of the Company's activities and financial position.

35 New standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

35 New standards and interpretations issued but not yet effective (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2021, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply prospectively.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2021, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have any impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2021, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

35 New standards and interpretations issued but not yet effective (Continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2019-2021 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

The amendments are not expected to have a material impact on the Group.

Parent company financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	2021	2020
	Revenue	0	0
5	Other operating income	38,823	48,593
	External costs	-19,633	-11,947
	Gross profit	19,190	36,646
2	Staff costs	-19,860	-19,294
4	Other operating costs	0	0
	Operating profit before depreciation and special items	-670	17,352
6	Special items	-6,847	-6,201
3	Depreciation, amortisation and impairment of non-current assets	-2,310	-2,076
	Operating profit/loss	-9,827	9,075
	Share of results of associates	11,731	1,739
7	Financial income	62,183	46,023
8	Financial expenses	-196,498	-237,935
	Loss before tax	-132,411	-181,098
9	Tax for the year	6,385	750
	Loss for the year	-126,026	-180,348

Statement of comprehensive income

Note	DKK'000	2021	2020
	Loss for the year	-126,026	-180,348
	<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
	Unrealised profit/loss on forward exchange contracts for the year	1,726	741
	Hereof tax	-379	-163
	Other comprehensive income for the year after tax	1,347	578
	Comprehensive income for the year	-124,679	-179,770

Parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Non-current assets		
10	Acquired intangible assets	1,647	2,759
	Intangible assets	1,647	2,759
11	Other fixtures and fittings, tools and equipment	1,583	806
12	Right of use assets	1,032	984
	Property, plant and equipment	2,615	1,790
13	Investments in subsidiaries	1,827,998	1,827,998
14	Investments in associates	47,318	37,702
15	Deferred tax assets	9,078	3,073
	Fixed assets Investments	1,884,394	1,868,773
	Non-current assets	1,888,656	1,873,322
	Receivables		
	Amounts owed by subsidiaries	219,443	338,783
	Other receivables	1	11
	Prepayments	2,835	1,622
	Receivables	222,279	340,416
	Cash at bank and in hand	1,928	0
	Current assets	224,207	340,416
	ASSETS	2,112,863	2,213,738

Parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
20	Share capital	100	100
	Reserve for value adjustments of hedging transactions	-1,361	-2,708
	Reserve for foreign exchange adjustments	-62	-65
	Reserve for net revaluation according to the equity method	20,384	10,771
	Reserve for retained earnings	488,019	605,135
	Equity	507,080	613,233
	Liabilities		
16	Other credit institutions	1,287,584	1,283,331
16	Lease liabilities	1,430	489
16	Other long-term liabilities	954	943
	Non-current liabilities	1,289,968	1,284,763
16	Current portion of non-current liabilities	689	490
	Other credit institutions	41,805	127,837
	Trade payables	5,571	4,978
	Amounts owed to group entities	203,476	131,818
	Income taxes	0	0
	Other payables	64,274	50,619
	Current liabilities	315,815	315,742
	Liabilities	1,605,783	1,600,505
	EQUITY AND LIABILITIES	2,112,863	2,213,738

Parent company financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Value adjust- ments of hedging transactions	Foreign exchange adjustments	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity at 1 January 2020	100	-3,286	0	13,361	784,332	794,507
Comprehensive income for the year						
Loss for the year	0	0	0	-2,590	-177,758	-180,348
Other comprehensive income						
Unrealised loss on forward exchange contracts	0	741	0	0	0	741
Hereof tax	0	-163	0	0	0	-163
Exchange rate on foreign investments	0	0	-65	0	0	-65
Other comprehensive income for the year	0	578	-65	0	0	513
Comprehensive income for the year	0	578	-65	-2,590	-177,758	-179,835
Share-based payment	0	0	0	0	-1,439	-1,439
Equity at 31 December 2020	100	-2,708	-65	10,771	605,135	613,233

DKK'000	Share capital	Value adjust- ments of hedging transactions	Foreign exchange adjustments	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity at 1 January 2021	100	-2,708	-65	10,771	605,135	613,233
Comprehensive income for the year						
Loss for the year	0	0	0	9,613	-135,639	-126,026
Other comprehensive income						
Unrealised profit on forward exchange contracts	0	1,726	0	0	0	1,726
Hereof tax	0	-379	0	0	0	-379
Exchange rate on foreign investments	0	0	3	0	0	3
Other comprehensive income for the year	0	1,347	3	0	0	1,350
Comprehensive income for the year	0	1,347	3	9,613	-135,639	-124,676
Capital contribution	0	0	0	0	13,000	13,000
Share-based payment	0	0	0	0	5,523	5,523
Equity at 31 December 2021	100	-1,361	-62	20,384	488,019	507,080

Parent company financial statements for the period 1 January – 31 December

Cash flow statement

DKK'000	2021	2020
EBIT	-9,827	9,075
Depreciation, amortisation and impairment losses	2,310	146,201
Adjustment for gain on sale of property, plant and equipment and non-cash items	5,523	0
Changes in receivables	43,926	22,298
Changes in trade payables	40,159	-2,165
Changes in other working capital	15,393	2,708
Financial income	62,183	46,023
Financial costs	-90,195	-237,935
Tax for the year	0	1,184
Cash flows from operating activities	69,472	-12,611
Addition of property, plant and equipment	-1,258	-684
Addition of investments	0	0
Dividends received	2,118	4,264
Capital movements	13,000	-1,439
Cash flows from investing activities	13,860	2,141
External financing:		
Contracting of long-term liabilities	4,253	-2,390
Other credit institutions	-86,032	12,112
Leasing activities	375	-538
Cash flows from financing activities	-81,404	9,184
Net cash flows for the year	1,928	-1,286
Cash and cash equivalents at 1 January	0	1,286
Cash and cash equivalents at 31 December	1,928	0

Parent company financial statements for the period 1 January – 31 December

Content of notes to the Parent company Financial Statements

Note

1	Accounting policies - Parent
2	Staff costs
3	Depreciation, amortisation and impairment of non-current assets
4	Other operating income
5	Other operating costs
6	Special items
7	Financial income
8	Financial expenses
9	Tax for the year
10	Intangible assets
11	Property, plant and equipment
12	Right of use assets
13	Investments in subsidiaries
14	Investments in associates
15	Deferred tax assets
16	Non-current liabilities
17	Security for loans and contingent liabilities
18	Derivatives
19	Related parties
20	Share capital
21	Fees paid to auditors appointed at the annual general meeting
22	Events after the balance sheet date

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies – Parent Company

The financial statements of the parent company (Frontmategroup ApS) are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises.

To ensure uniform presentation, the terminology used in the consolidated financial statements has as far as possible been applied in the parent company's financial statements. The parent company's accounting policies on recognition and measurement are generally consistent with those of the Group. The instances in which the parent company's accounting policies deviate from those of the Group have been described below.

The accounting policies for the parent company are unchanged from 2020.

The company's main activity, dividend income from Group enterprises, is presented first in the income statement.

Dividend from Group enterprises

Dividend from investments in subsidiaries is recognised as income in the parent company's income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval by the Annual General Meeting of distribution from the company concerned. When the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is recognised in the income statement, however, this will trigger an impairment test of the investment.

Investments

Investments in Group enterprises are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised to this lower value. To the extent the distributed dividend exceeds the accumulated earnings after the date of acquisition, an impairment test of the investment is triggered.

DKK'000	2021	2020
2 Staff costs		
Wages and salaries	25,045	17,641
Pensions	1,560	1,616
Other social security costs	87	37
	26,692	19,294
Average number of full-time employees	15	16
Staff costs are recognised as follows financial statements:		
Staff costs	19,860	19,294
External costs	6,832	0
	26,692	19,294

Reference is made to note 6 in the consolidated financial statement for information on remuneration to the Executive Board of Directors.

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2021	2020
3 Depreciation, amortisation and impairment of non-current assets		
Acquired intangible assets	1,301	1,286
Other fixtures and fittings, tools and equipment	292	228
Right-of-use assets	717	562
	2,310	2,076
4 Other operating income		
Group management fee	38,823	48,116
COVID-19 related compensation	0	477
	38,823	48,593
5 Other operating costs		
Loss on sale of property, plant and equipment	0	0
	0	0
6 Special items		
External cost related to acquisitions	2,525	68
Cost of internal restructuring	4,322	6,133
	6,847	6,201
7 Financial income		
Interest income from subsidiaries	19,501	21,018
Dividends received from subsidiaries	41,155	25,000
Other interest receivable, exchange rate gains and similar income	1,527	5
	62,183	46,023
8 Financial expenses		
Interest expense from subsidiaries	480	512
Interest expense, exchange rate losses and similar income	89,680	93,269
Calculated interest expense for right of use assets	34	29
Impairment of receivable and investment in subsidiaries	106,304	144,125
	196,498	237,935

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000		2021	2020
9	Tax for the year		
	Current tax for the year	-379	-1,953
	Current tax for last year	-1	769
	Changes in provision for deferred tax	-6,005	434
		-6,385	-750
Specified as follows:			
	Tax for the year	-6,763	-1,682
	Tax for last year	-1	769
	Tax on profit/loss	-6,764	-913
	Tax on changes in OCI	379	163
		-6,385	-750
Effective tax rate		4.8%	2.0 %
10	Intangible assets		
		Acquired Intangible assets 2021	Acquired Intangible assets 2020
DKK'000			
	Cost at 1 January	5,125	4,539
	Additions in the year	189	586
	Cost at 31 December	5,314	5,125
	Amortisation and write-downs at 1 January	2,366	1,080
	Amortisation in the year	1,301	1,286
	Amortisation and writ-downs at 31 December	3,667	2,366
	Carrying amount at 31 December	1,647	2,759

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

11 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment 2021	Other fixtures and fittings, tools and equipment 2020
Cost at 1 January	1,325	1,227
Additions in the year	1,069	98
Cost at 31 December	2,394	1,325
Depreciation at 1 January	519	291
Depreciation in the year	292	228
Depreciation at 31 December	811	519
Carrying amount at 31 December	1,583	806

12 Right of use assets

DKK'000	Other fixtures and fittings, tools and equipment 2021	Other fixtures and fittings, tools and equipment 2020
Balance at 1 January	984	993
Additions in the year	765	553
Re-measurement of leasing debt	0	0
Depreciation in the year	-717	-562
Balance at 31 December	1,032	984

The company leases cars. The lease terms range from 1 to 3 year. Leases do not include variable lease payments.

Amounts recognised in comprehensive income statement.

DKK'000	2021	2020
Depreciation expense on right-of-use assets	717	562
Interest expense on lease liabilities	34	29
	751	591

The total cash outflow for leases amount to DKK 0.5 million for the Parent Company.

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Investments in subsidiaries

DKK'000	2021	2020
Cost at 1 January	1,941,907	1,932,779
Additions of entities	0	0
Capital increase	32,092	9,128
Cost at 31 December	1,973,999	1,941,907
Impairments at 1 January	-113,909	0
Impairments during the year	-32,092	-113,909
Impairments at 31 December	-146,001	-113,909
Carrying amount at 31 December	1,827,998	1,827,998

Investments in subsidiaries are specified as follows:

Subsidiaries	Legal form	Domicile	Direct Group holding
Frontmatec Group ApS			
○ Frontmatec Kolding A/S	A/S	Kolding, Denmark	100%
○ Frontmatec Smørum A/S	A/S	Smørum, Denmark	100%
○ Frontmatec Tandslet A/S	A/S	Tandslet, Denmark	100%
○ Frontmatec Skive A/S	A/S	Skive, Denmark	100%
○ Frontmatec Hygiene GmbH	GmbH	Beckum, Germany	100%
○ Frontmatec GmbH	GmbH	Lünen, Germany	100%
○ Accles & Shelvoke, Ltd.	Ltd.	Birmingham, UK	100%
○ Frontmatec Jining Co., Ltd.	Ltd.	China	100%
○ Frontmatec Sibiu SRL	SRL	Sibiu, Romania	100%
○ Frontmatec – Intecal S.A.U.	S.A.U	Barcelona, Spain	100%
Frontmatec Kolding A/S			
○ Frontmatec Equipment Inc.	Inc.	St. Anselme, Canada	100%
○ Frontmatec Inc.	Inc.	Kanas City, USA	100%
○ Frontmatec Shanghai Co. Ltd.	Co. Ltd.	Shanghai China	100%
○ Frontmatec Holding B.V.	B.V.	Rijssen, The Netherlands	100%
○ Frontmatec LLC	LLC	Moscow, Russia	100%
Frontmatec Holding B.V.			
○ Frontmatec B.V.	B.V.	Rijssen, The Netherlands	100%
Frontmatec Smørum A/S			
○ Frontmatec Sp. Z. o. o.	Sp. Z. o. o.	Grodzisk, Poland	100%
Accles & Shelvoke Ltd.			
○ Accles & Shelvoke Inc.	Inc.	West Greenwich, USA	100%

The management performs an impairment test of the carrying amount of investments in subsidiaries at least annually and more frequently if there is indication of impairment. The annual impairment test is performed on 31 December 2021.

The recoverable amount of investments related to the individual cash generating units is calculated based on the Capital Assets Pricing Model (CAPM model).

For Jining Xinglong Food Machinery Manufacturing Co., Ltd. Calculations showed a need for impairment whereby the carrying amount of the investment was reduced by DKK 32,1 million and amounts owed by subsidiaries was reduced by DKK 74,2 million.

For the remaining entities the impairment test at 31 December 2021 showed no indication of impairment for 2021. Management believes that currently no changes in key assumptions are reasonably likely to reduce the headroom to zero in the CGU.

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Investments in subsidiaries (continued)

The definition of CGUs in the impairment test is based on the certainty by which the carrying amount of the fixed asset investment can reasonably be allocated and monitored.

The impairment test is carried out on the CGU Frontmatec Jining Co., Ltd.

Key assumptions

The recoverable amount of the cash-generating units to which the investment amounts to, is calculated based on the calculations of capital value. The most significant uncertainties relate to the determination of discount rates, growth rates and expected changes in costs in the budget and terminal periods.

Assumptions used in the calculation is an EBIT Margin of -11.4 percent in 2022 and long-term EBIT margin of 12-18 percent. The improved EBIT margin is mainly driven by a restructuring of the work processes in Frontmatec Jining Co., Ltd. On top of this China expects to make significant investments in food safety and automation in the advance food processing industry on the outskirts of the Covid-19 pandemic and the African swine fever.

Management have determined the expected annual growth in the budget period and the expected margins based on increased market activity and under the assumptions of expected market developments on the outskirts of the Covid-19 pandemic and the African swine fever.

The discount rate has been revised for the Company to reflect the latest market assumptions for the risk-free rate based on a 10-year government bond, the equity risk premium and the cost of debt.

The long-term growth rate is based on business plans and expected growth rates.

Cash generating unit	Annually average growth rate in EBIT in budget period	Growth rate in terminal period	Discount rate after tax	Discount rate before tax
Frontmatec Jining Co., Ltd.	10-50%	1.0%	13,1%	14,2%

A sensibility analysis has been made of the main assumptions in the impairment test to identify the lowest and/or highest discount rate and the lowest growth rate for each cash generating unit.

DKK' million	EBIT decreases by 10 percent	Annual Growth rate drops 2 percentage points	Discount rate after tax Increase by 1 percentage point
Effect on value in use	-22	-18	-13

14 Investments in associates

Investments in associates mentioned in note 17 in the consolidated financial statements is also valid for the Parent Company.

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

15 Deferred tax assets

Deferred tax relates to:

DKK'000	2021	2020
Intangible assets	-189	-322
Tangible assets	-73	-47
Current assets	4,593	2,278
Liabilities	-384	-764
Tax loss carry forwards	5,131	1,928
Deferred tax at 31 December	9,078	3,073

recognised as follows:

Deferred tax assets	9,078	3,073
Deferred tax liability	0	0
Deferred tax at 31 December	9,078	3,073

Tax loss carry forwards are recognised based on the expected utilization within 3-5 year.

16 Non-current liabilities

Breakdown of certain liabilities according to long-term and short-term liabilities:

DKK'000	Due between 1 and 5 years	Due after more than 5 years	Total long-term liabilities at 31/12 2021	Due within 1 year	Total 31/12 2021
Other credit institutions	1,287,584	0	1,287,584	0	1,287,584
Other long-term liabilities	89	865	954	0	954
Lease liabilities	1,430	0	1,430	689	2,119
	1,289,103	865	1,289,968	689	1,290,657

DKK'000	Due between 1 and 5 years	Due after more than 5 years	Total long-term liabilities at 31/12 2020	Due within 1 year	Total 31/12 2020
Other credit institutions	1,283,331	0	1,283,331	0	1,283,331
Other long-term liabilities	88	855	943	0	943
Lease liabilities	489	0	489	490	979
	1,283,908	855	1,284,763	490	1,285,253

The fair value of other credit institutions is calculated as redemption cost for the outstanding bonds. The fair value is DKK 1,353 million for the Senior Secured Floating Rate Bonds. Significant observable inputs (level 2) have been used in the fair value measurement.

Interest for EUR 175,000,000 Senior Secured Floating Rate Bonds until due date 10 October 2024 amount to DKK 210,6 million.

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's central finance function.

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

17 Security for loans and contingent liabilities

The shares in Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec Skive A/S, Frontmatec Smørum A/S, Frontmatec GmbH and Frontmatec Hygiene GmbH are provided as security for all bank debt.

Furthermore, the Company has issued a negative pledge to the bank. The Company has issued a guarantee of payment for all bank debt for the group entities. Reference is also made to note 25 in the consolidated financial statements.

The joint taxation liability mentioned in note 26 in the consolidated financial statements is also valid for the Parent Company.

18 Derivatives

Fair value hedge

To minimize the foreign currency exposure arising from intercompany balances, the Company uses forward exchange contracts. The change in fair value is specified below:

DKK'000	2021	2020
Fair value	-25,583	-13,543
Included in the income statement	-25,583	-13,543

The contract notional amount on the forward exchange contracts are:

	2021	2020
DKK/USD	-85,037	-46,045
DKK/GBP	-3,744	-3,751
CNH/DKK	119,200	102,010

Cash-flow hedge

To minimise the interest fluctuations on long-term liabilities, the company used interest rate caps. The change in fair value is specified below:

DKK'000	2021	2020
Fair value	-1,746	-3,472
Included in other comprehensive income	1,726	741

The conditions on the interest rate caps are:

DKK'000	2021	2020
Principal amount	868,618	869,097
Strike		0%
Expire	10/10 2022	10/10 2022

At 31 December 2021 the fair value of the Company hedge instruments amounted to DKK -27,3 million (2020: DKK -17.0 million).

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

19 Related parties

Related party transaction mentioned in note 29 in the consolidated financial statements is also valid for the Parent Company.

20 Share capital

The parent company's share capital, DKK 100 thousand, is composed of share of DKK 0.01 or multiples thereof.

21 Fees paid to auditors appointed at the annual general meeting

DKK'000	2021	2020
Total fees to Deloitte		
Fee for statutory audit	440	329
Fee for tax advice	690	813
Fee for non-audit services	698	241
	1,828	1,382
Total fees to other auditors		
Fee for tax advice	7	0
Fee for non-audit services	249	155
	256	155

The fee for non-audit services provided to the company in 2021 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0,7 million and consisted of financial advisory and accounting services. The fee for non-audit services provided to the company in 2020 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.2 million and consisted of financial advisory and accounting services.

22 Events after the balance sheet date

In January 2022, Frontmategroup acquired the majority of the shares in Asuan. Asuan deliver innovative and customized solutions to the meat industry in Uruguay. Based in Montevideo, Asuan employs 125 employees and has subsidiaries in Brazil and Mexico. Latin America is a strategically important market to Frontmategroup with some of the largest and most respected meat processors in the world. With Asuan joining forces with Frontmategroup, the Group will strengthen the position in the Latin American.

In April 2022, Frontmategroup acquired the remaining 60% in AIRA to take 100% ownership of the Spanish based company AIRA – Assessorament Industrial Robòtica, S.L. to capitalize on the robot potential. The ownership will secure the unique competences in free arm robotic solutions and support the increasing level of automation in the global meat industry.

Other than the acquisition mentioned there have been no events since 31 December 2021, which could significantly affect the evaluation of the Company's activities and financial position.